国药集团
SINOPHARM

China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with Limited Liability)

(Stock code: 00570)

ANNUAL REPORT 2024

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. YANG Jun *(Chairman)*
Mr. LI Hongjian

Non-executive Directors

Mr. LIU Haijian
Mr. LI Xiangrong
Mr. ZU Jing
Ms. XU Jinghui
Mr. HUANG Hao

Independent Non-executive Directors

Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. QIN Ling
Mr. LI Weidong

JOINT COMPANY SECRETARIES

Mr. ZHAO Dongji
Ms. NG Sau Mei

AUDIT COMMITTEE

Mr. XIE Rong *(Chairman)*
Ms. XU Jinghui
Mr. YU Tze Shan Hailson
Mr. QIN Ling
Mr. LI Weidong

REMUNERATION AND EVALUATION COMMITTEE

Mr. QIN Ling *(Chairman)*
Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. LI Weidong

NOMINATION COMMITTEE

Mr. YANG Jun *(Chairman)*
Mr. LI Hongjian
Mr. LIU Haijian
Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. QIN Ling
Mr. LI Weidong

STRATEGIC COMMITTEE

Mr. YANG Jun *(Chairman)*
Mr. LI Hongjian
Mr. LI Xiangrong
Mr. ZU Jing
Mr. YU Tze Shan Hailson
Mr. QIN Ling

REGISTERED OFFICE

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Wanchai
Hong Kong

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STOCK CODE

The shares of China Traditional Chinese Medicine Holdings Co. Limited are listed on The Stock Exchange of Hong Kong Limited

Stock code: 00570

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F., One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.
Ping An Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Bank of China (Hong Kong) Limited

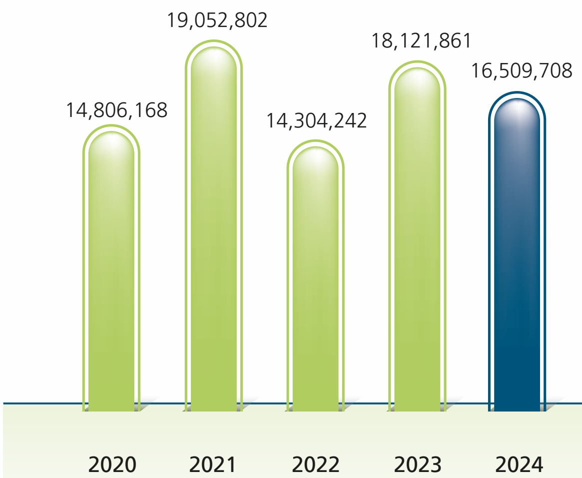
WEBSITE

www.china-tcm.com.cn

Five-Year Financial Summary

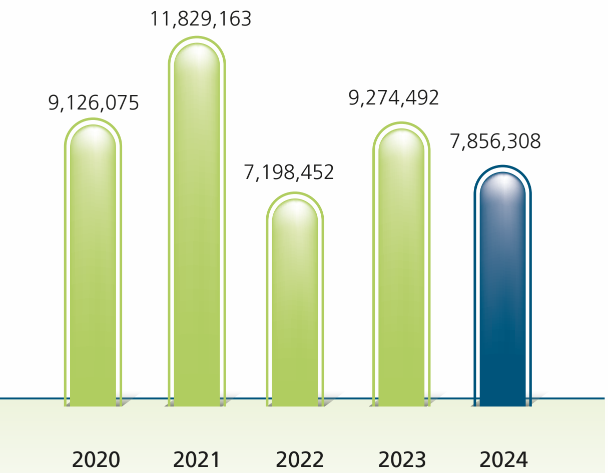
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**	2020-2024 Compound Annual Growth Rate
Results						
Revenue	14,806,168	19,052,802	14,304,242	18,121,861	**16,509,708**	2.76%
Gross profit	9,126,075	11,829,163	7,198,452	9,274,492	**7,856,308**	-3.68%
Profit from operations	2,490,631	2,753,058	1,064,283	1,427,277	**335,594**	-39.41%
Profit before taxation	2,230,091	2,520,280	840,109	1,224,533	**163,109**	-48.00%
Profit attributable to the shareholders of the Company	1,663,255	1,932,858	764,266	1,285,200	**54,067**	-57.54%
Profitability						
Gross profit margin	61.64%	62.09%	50.32%	51.18%	**47.59%**	
Operating profit margin	16.82%	14.45%	7.44%	7.88%	**2.03%**	
Net profit margin	12.57%	11.14%	5.04%	7.70%	**0.13%**	
Earnings per share						
Basic & diluted	33.03 cents	38.38 cents	15.18 cents	25.52 cents	**1.07 cents**	-57.58%
Financial position						
Total assets	33,088,383	36,389,268	35,619,941	37,068,348	**35,063,718**	
Total equity attributable to equity shareholders of the Company	18,064,086	19,718,669	20,166,720	21,160,135	**21,203,784**	
Total liabilities	12,191,962	13,728,339	12,673,339	13,131,730	**11,130,684**	
Bank balances and cash	3,440,240	2,894,757	3,065,054	3,017,318	**3,866,911**	
Debt asset ratio	36.85%	37.73%	35.58%	35.43%	**31.74%**	

REVENUE
RMB'000



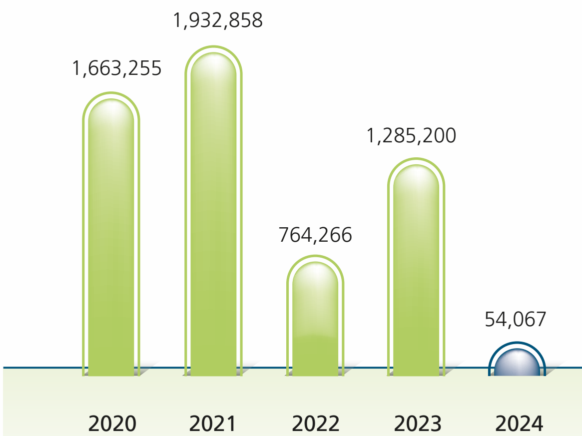
Annual Decline of 2023-2024 | **8.9%**

GROSS PROFIT
RMB'000



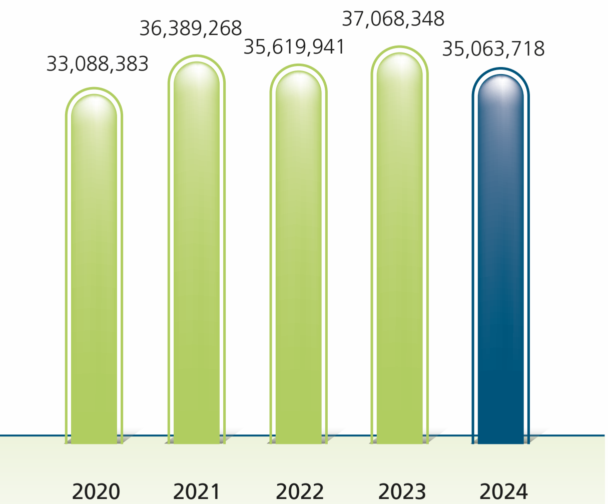
Annual Decline of 2023-2024 | **15.3%**

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY
RMB'000



Annual Decline of 2023-2024 | **95.8%**

TOTAL ASSETS
RMB'000



Annual Decline of 2023-2024 | **5.4%**

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear shareholders,

In 2024, the TCM industry entered a new development stage amid opportunities and challenges. On the one hand, national policies continued to release positive signals, and a series of documents such as the "Action Plan for Standardization of Traditional Chinese Medicine (2024-2026)" (《中醫藥標準化行動計劃(2024-2026年)》) and "Several Opinions on Promoting the Development of Digital Traditional Chinese Medicine" (《關於促進數字中醫藥發展的若干意見》) were intensively introduced, injecting impetus into the standardized development of the industry and technological innovation. On the other hand, due to macroeconomic fluctuations, high prices of Chinese medicinal herbs and intensified market competition, the TCM industry as a whole was facing the pressure of narrowing profit margins.

Affected by multiple factors, the Group's performance in 2024 declined. The revenue for the year ended 31 December 2024 was RMB16.51 billion, representing a decrease of 8.9% compared with the same period of 2023; net profit was RMB0.021 billion, representing a decrease of 98.5% compared with the same period of 2023. Despite the pressure on the profitability in stages, the production and sales scale of the Group's core business segments remained stable and its market share continued to consolidate. Based on the deep insight into the long-term development trend of the TCM industry and full confidence in the fundamentals of the enterprise, the Board and the management are optimistic about the Group's ability to transcend short-term performance fluctuations.

During the Reporting Period, the Group actively promoted corporate transformation, upgrading and innovative development. It maintained scale advantage in the TCM industry, achieved significant results in key scientific and technological projects, steadily advanced the deepening of reforms, effectively prevented and controlled various risks, and carried out digital transformation in an orderly manner, thereby realizing phased progress in the operation of each business segment. The construction of Chinese medicinal herbs bases was steadily advanced, the deepening of regional layout of TCM decoction pieces drove the increase in volume, the market share of concentrated TCM granules remained in a leading position, the scale of TCM finished drugs segment continued to grow, and TCM great health business steadily explored incremental space.

The Group recognizes the key significance of ESG governance in the development pattern of the new era, and actively practices the integration of ESG concepts and corporate strategies to continuously create shared value for stakeholders. In 2024, the Group focused on establishing governance foundations by abiding by business ethics, strengthening compliance and risk management and safeguarding information security, so as to steadily promote the modernization of the corporate governance system; focused on innovation-driven model by establishing and improving the "penetrating" management and control system of scientific and technological innovation, and carrying out the secondary development of innovative traditional Chinese medicine and large varieties, so as to continuously explore the recycling value of the TCM industry; strengthened quality control and improved supply chain management through systematic management measures and clear quality objectives, so as to enhance product quality and drug accessibility; adhered to the people-centered principle, and formulated a sound career development system to create an equal and fair workplace atmosphere and facilitate employee development; adhered to the concept of green development, actively implemented the "dual-carbon" action, improved the resource utilization rate, so as to contribute to the sustainable development of the industry; practiced social responsibility, deeply integrated rural revitalization with the TCM industry, and carried out multi-dimensional assistance, in a bid to promote the joint development of TCM culture dissemination and community education. The relevant details are set out in our "2024 Environmental, Social and Governance Report".

PROSPECTS

The Group will adhere to the general tone of seeking progress while maintaining stability, and take "focusing on reform, integrating resources, improving efficiency and innovative development" as the overall principle, strategic operation management and control as the starting point, optimization of industrial layout as the basis, resource integration and reform and transformation as the means, and improving quality and efficiency and collaborative innovation as the driving force to consolidate the basic foundation of corporate operations and development, comprehensively improve the quality and efficiency of corporate development, and enhance the core competitiveness and comprehensive strength of the Company in an all-round manner.

ACKNOWLEDGEMENT

Due to work adjustments, Mr. CHEN Yinglong resigned as the executive Director and Chairman of the Board on 27 September 2024, and Mr. YANG Binghua, Mr. WANG Kan, Mr. MENG Qingxin, Ms. LI Ru, Mr. YANG Wenming and Mr. CHENG Xueren resigned as the non-executive Directors on 15 January 2025. On behalf of the Board, I would like to express my sincere gratitude to them for their diligence and dedication and valuable contributions they have made to the reform, innovation and development of the Company with a high degree of professionalism and expertise during their tenures of service.

We would also like to welcome Mr. LI Hongjian, who has served an executive Director and president of the Company since 27 September 2024, and Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing, Ms. XU Jinghui and Mr. HUANG Hao, who joined the Board on 15 January 2025. They have profound experience in corporate governance, risk management and control, financial auditing, financial investment and other fields. We believe that their joining will provide solid support for the strategic decision-making of the Group and help the Group achieve higher quality development in the future.

Finally, on behalf of the Board, I would like to express my sincerest gratitude to all employees for their hard work, shareholders for their long-term trust, and partners for their strong support. In the future, I, together with the Board, management and all employees of China TCM, will work with all fellows to draw a new picture of high-quality development of China TCM with a more determined pace!

YANG Jun
Chairman

Hong Kong, 25 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2024 (the "Reporting Period" or the "Period" or the "year"), China Traditional Chinese Medicine Holdings Co. Limited (the "Company") and its subsidiaries (collectively, the "Group")'s revenue was approximately RMB16,509,708,000, representing a decrease of 8.9% compared with approximately RMB18,121,861,000 for the same period last year. This was mainly attributed to sales decline as a result of the TCM granules industry policy and intensified market competition. To analyze by revenue of each of the operating products, revenue from Chinese medicinal herbs integration business contributed approximately RMB1,386,669,000, representing a year-on-year decrease of 25.3% and accounting for 8.4% of the total revenue; revenue from TCM decoction pieces business contributed approximately RMB3,314,794,000, representing a year-on-year increase of 17.9% and accounting for 20.1% of the total revenue; revenue from concentrated TCM granules business contributed approximately RMB6,972,013,000, representing a year-on-year decrease of 23.5% and accounting for 42.2% of the total revenue; revenue from TCM finished drugs business contributed approximately RMB4,552,955,000, representing a year-on-year increase of 14.0% and accounting for 27.6% of the total revenue; revenue from TCM great health business contributed approximately RMB283,277,000, representing a year-on-year decrease of 19.6% and accounting for 1.7% of the total revenue.

The gross profit was approximately RMB7,856,308,000, representing a decrease of 15.3% compared with approximately RMB9,274,492,000 for the same period last year; the gross profit margin was 47.6%, representing a decrease of 3.6 percentage points compared with 51.2% for the same period last year.

The Group actively practices the ESG sustainable development concept, continuously improves the ESG governance mechanism, refines ESG topics, and accurately identifies aspects that are in line with operations, so as to integrate the ESG concept into production and operations in depth. During the Reporting Period, the Group was once again selected among the "China's ESG Pioneer 100 List of Listed Companies" ("中國ESG上市公司先鋒100"榜單) and "China's ESG Pioneer 50 List of Listed Companies in the Greater Bay Area" ("中國ESG上市公司大灣區先鋒50"榜單), included in the 2024 China Enterprise ESG100 Index (2024中國企業ESG100指數), won the "ESG Public Welfare Pioneer" (ESG公益先鋒) award, and was selected as the "Typical Case of Social Responsibility of Rural Revitalization Empowering Plan" (鄉村振興賦能計劃社會責任典型案例).

The Group continued to deepen the brand strategic layout, building a multi-level brand synergy development system with "Sino-TCM" as the core brand leader. During the Reporting Period, the Group focused on strengthening the value construction of its main brand, relying on key products such as Yu Ping Feng Granules (玉屏風顆粒) and Biyankang Tablets (鼻炎康片) to create a three-dimensional communication model with deep integration of online and offline channels. Through the output of high-quality content and the penetration of precise scenarios, the Group was able to reach more consumers and end-users, systematically enhancing the professional image of the brand and its influence in the industry. Meanwhile, we simultaneously promoted the differentiated development paths of sub-brands, and explored the distinctive advantages of each brand in depth, forming a benign interactive pattern with the main brand leading the overall situation and sub-brands making deep breakthroughs. "China Traditional Chinese Medicine" and "Zhonglian" brands were recognized as "Chinese Time-honored Brands" (中華老字號), and the brand value and influence continued to increase.

BUSINESS REVIEW

In 2024, the TCM industry moved forward under policy adjustments and compliance improvements, and entered a new stage of high-quality development amid accelerated evolution of technological empowerment, TCM export, and deepening reforms. As the industry landscape is being reshaped, the Group took advantage of the situation, embraced change and sought innovation. Based on the five major business sectors of "Chinese medicinal herbs integration business, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, TCM great health", the Group continued to deepen reforms, strengthen compliance construction, and with a focus on practical work and continual breakthroughs, contributed new momentum to the construction of a modern system for the TCM industry.

I. Anchor the development goals of five major businesses and lay a solid foundation for high-quality development

(I) Chinese medicinal herbs integration business

Chinese medicinal herbs are the core production raw materials of the TCM industry, and also the cornerstone of the industry's sustainable development. The prices of Chinese medicinal herbs are vulnerable to external factors such as climate and supply and demand relationship, and have fluctuated significantly in recent years. Between 2022 and 2024, the Composite 200 Index of Chinese Medicinal Herbs (中藥材綜合200指數) (the "Index") rose rapidly from approximately 2,700 points at the end of 2022 to the high point of the range in August 2023. Since 2024, the market has been in a period of adjustment while the Index has retreated, but overall was at a high level of 3,000 points above, showing volatility and high instability.

In recent years, China's drug regulatory system has continued to strengthen standardized management of the production quality of Chinese medicinal herbs, successively issued policy documents such as the "Good Agricultural Practice for Chinese Medicinal Herbs", aiming at normalized production of Chinese medicinal herbs and source oriented quality upgrade of TCM. The recently released centralized procurement and local bidding policies for TCM are gradually increasing the weight of indicators for the construction of bases that meet the standards for Chinese medicinal herbs. Enterprises that meet relevant requirements can therefore enjoy differentiated competitive advantages and stand out.

The Group attaches great importance to the quality of Chinese medicinal herbs and long-term development of the industry. While guaranteeing the quality and stable supply of medicinal herbs, it minimizes the impact of raw material price fluctuations on production costs, continues to promote the construction of good agricultural practice for Chinese medicinal herbs ("GAP") bases that meet policy requirements and the Group's development needs, and implements standardized management of the entire process of planting, harvesting, processing, transportation and others. During the Reporting Period, the project of "Quality Technology Service Platform for the Whole Industry Chain of Traditional Chinese Medicine" led by the Group was basically completed, realizing high-end application functions for tracing key quality indicators of traditional Chinese medicine production, which adapted to traceability needs of multiple parties such as factory coding by pharmaceutical companies, government supervision sharing, and scanning of codes by end users.

As of 31 December 2024, the Group has jointly built a total of 165 production bases for Chinese medicinal herbs in 22 provinces (regions and municipalities) across the country, involving a total of 108 Chinese medicinal herbs varieties and with a base area of more than 470,756 mu, of which 97 varieties have been put online in the TCM quality traceability system; it has built a total of 27 seed and seedling breeding bases, with an area of 1,908.78 mu and involving 24 key Chinese medicinal herbs varieties. During the Reporting Period, 18 varieties including panax notoginseng and epimedium newly passed the GAP compliance inspection, with a total of 23 varieties passed the GAP compliance inspection. The bases of 2 varieties, cinnamon and cassia twig, have been recognized as "provincial Chinese medicinal herbs industrialization bases" simultaneously.

During the Reporting Period, the Group and the Traditional Chinese Medicine Plantation and Breeding Professional Committee of the China Association of Traditional Chinese Medicine (中國中藥協會中藥材種植養殖專業委員會) jointly organized the activity named "Chinese Medicinal Herbs Source in Action – High-quality Authentic Medicinal Herbs Base in China TCM & Chinese Medicinal Herbs Contributing to Rural Revitalization" (中藥源頭在行動 – 優質道地藥材基地走進中藥控股暨中藥材助力鄉村振興) to constantly enhance its influence in the industry, and promote high-quality development of the source of Chinese medicinal herbs industry.

(II) TCM decoction pieces

During the Reporting Period, regional layout advantages of the Group's TCM decoction pieces business continued to stand out. The core support and growth-driving role of the subsidiaries located in Beijing, Shanghai, Guangdong and other places were steadily enhanced. Also, the Group collaborated with the subsidiaries in Shandong, Guizhou and other places to leverage advantage of the specialty decoction piece varieties and drive further growth in the performance of TCM decoction pieces segment. At the same time, with an aim to expand business categories of TCM decoction pieces, the Group first launched fresh medicinal herbs pieces series, which further enriched the product matrix and met diversified needs of the TCM decoction pieces market.

As of 31 December 2024, the Group has built and put into operation 26 directly-operated "Share of TCM · Intelligent Distribution Centers" in 20 provinces (regions and municipalities). During the Reporting Period, more than 7 million prescriptions for decoction and ointments were completed, with a total production of more than 50 million doses, representing a year-on-year growth of 22% and 14% respectively. Based on this, the Group provided more stable drug supply guarantees for its medical institution customers and further improved its comprehensive pharmaceutical service capabilities.

In November 2024, Shandong Province Medical Security Bureau issued the "National Traditional Chinese Medicine Decoction Pieces Procurement Alliance Centralized Procurement Document" (《全國中藥飲片採購聯盟集中採購文件》), and carried out centralized bulk-buying of 45 varieties of TCM decoction pieces. A total of 13 subsidiaries, 45 varieties and 84 specifications of the Group were successfully selected, and the Group will provide the industry with standardized, large-scale and fully traceable TCM decoction pieces.

(III) Concentrated TCM granules

As an important carrier for the modernization of TCM, concentrated TCM granules meet the country's development requirements for innovation in TCM and are an important part of the national strategy for TCM. With the support of various departments and government policies at all levels of the PRC, the concentrated TCM granules industry has grown from scratch and has now reached a certain scale. As a pioneer in the industrialization of concentrated TCM granules, the Group has been involved in the industry for more than 30 years. Relying on the deep integration of basic research and process innovation, it has established a sound quality control system; relying on the long-term established medical institution cooperation network and professional service capabilities, the Group continues to strengthen terminal market penetration and consolidate its leading position in the industry.

Since the first publication of "Announcement on Centralized Procurement of the Procurement Alliance of Concentrated TCM Granules" (《中藥配方顆粒採購聯盟集中採購公告》) by the Shandong Province Public Resources Trading Center, as of 31 December 2024, 22 provinces (regions and municipalities) across the country have been included in the coverage of centralized procurement of concentrated TCM granules, and 20 provinces (regions and municipalities) have actually implemented centralized procurement. At present, given significant price deduction in the centralized procurement area and frequent price coordinated adjustment in the non-centralized procurement area, the concentrated TCM granules industry was left in a sustained period of "deep adjustment", with the expected quantity effect of centralized procurement failed to appear. During the Reporting Period, affected by the price reduction of centralized procurement, rising costs and intensified market competition, the revenue and profitability of the Group's concentrated TCM granules both retreated.

Amid fiercer market competition, the Group is aware of the importance of maintaining a solid market share. Based on the centralized procurement requirements for concentrated TCM granules and the usage habits of concentrated TCM granules variety in provinces, the Group continues to improve variety supply and service guarantee plans, and formulates differentiated product prescription strategies to meet clinical application needs. During the Reporting Period, over 1,400 graded medical institutions customers were newly introduced.

As of 31 December 2024, the National Medical Product Administration (the "NMPA") has issued a total of 316 national drug standards for concentrated TCM granules, which is of great significance for regulating production of concentrated TCM granules, promoting unification of concentrated TCM granules standards, accelerating construction of comprehensive marketization and advancing modernization of the TCM. However, there are more than 600 varieties of Chinese medicine commonly used in clinical practice, and currently national standard varieties only account for half of the commonly used varieties in clinical practice, the remaining varieties are supplemented by provincial standards. During the Reporting Period, the Group promoted establishment of national drug standards for concentrated granules on the one hand, and updated promotional materials and formulations based on clinical applications on the other hand, helping physicians to gain a deeper understanding of product connotations of concentrated granules through case interactions and practice. Meanwhile, the Group continued to promote healthy development of the concentrated TCM granules industry by means of cooperating with the National Administration of Traditional Chinese Medicine to compile and publish the "Blue Book of Concentrated Traditional Chinese Medicine Granules Industry" (《中藥配方顆粒行業藍皮書》), and jointly issuing and disseminating the "Guidelines for the Clinical Use of Concentrated Traditional Chinese Medicine Granules" (《中藥配方顆粒臨床使用指南》) with the China Association of Traditional Chinese Medicine.

(IV) TCM finished drugs

According to statistics, between 2015 and 2024, the sales of drugs in China's three major terminals and six major markets showed a downward trend year by year, indicating a sluggish growth during the "14th Five-Year Plan" period. Data from China Pharmaceutical Enterprises Association shows that in the first half of 2024, the revenue and profit of TCM finished drugs industry both showed negative year-on-year growth. Against this backdrop, the Group rose to the challenge despite all odds and built a multi-dimensional operating system by deepening the production and sales synergy and market integration. During the Reporting Period, the scale of nine key varieties including Xianling Gubao Capsules (仙靈骨葆膠囊), Yu Ping Feng Granules (玉屏風顆粒), Biyankang Tablets (鼻炎康片) and Zaoren Anshen Capsules (棗仁安神膠囊) exceeded RMB100 million, and the sales of several products such as Yaoshen Paste, Tongluo Guzhining Paste (通絡骨質寧膏) and Heiguteng Zhuifeng Huoluo Capsules (黑骨藤追風活絡膠囊) increased year-on-year, achieving counter-cyclical growth.

In terms of the prescription drug business, the Group focused on increasing direct sales to end users, building benchmark terminals, covering graded terminals and carrying out academic activities. It carried out a number of academic publicity activities around clinical specialty products such as Xianling Gubao Capsules (仙靈骨葆膠囊) and Trionycis Bolus (鱉甲煎丸), further increasing the Group's brand influence in public graded hospitals. In addition, the "One Person, One Hospital, One Benchmark" (一人一院一標桿) project continued to deliver results, with more than 3,000 new secondary and above medical institutions developed, further expanding the coverage of graded hospitals.

In terms of the OTC business, the Group improved its nationwide chain customer layout and concentrated resources to strengthen key chains. The tiered cooperation model of "10+200+N" (10 major chains + 200 regional leading chains + N other chains) achieved remarkable results. The overall coverage rate of nine major products such as Biyankang Tablets (鼻炎康片), Chongcao Qingfei Capsules (蟲草清肺膠囊) and Yaoshen Paste reached 82% in the "10+200" chain catalog, with their sales achieving double-digit growth year-on-year.

The Group constantly conducts post-launch re-evaluation of TCM finished drugs, and actively carries out pharmacodynamic studies and randomized and controlled studies. It has newly formed and published 25 guidelines, consensus, teaching materials and other documents, covering Yaoshen Paste, Huashi Baidu Granules (化濕敗毒顆粒), Heiguteng (黑骨藤) and other products, which provide evidence-based medical evidences for clinical application of TCM finished drugs and help enrich academic connotations of core products.

(V) TCM great health

With further advancement of the national strategy of "Healthy China", various regions have successively introduced a number of measures to promote the development of the great health industry. The Group integrates and upgrades "TCM great health products" and "TCM medical institutions" to form "TCM great health" business segment, which unleashes the resource synergy advantages in the great health industry chain, striving for enhanced core competitiveness and exploring new innovative business models.

In terms of TCM great health products, the Group has developed varieties such as ginseng, tangerine peel, cubilose and cistanche deserticola. It has made efforts both online and offline in coordinating production lines, scientific research and channel resources, actively explored and extended health product sales network, and continuously optimized its business presence and customer structure. The new herbal health tea store operation model has been successfully replicated, with 34 stores now in operation, and the "Yi Fang Jiu Yun" (一方九韻) brand flagship store made its debut in core business districts.

In terms of TCM medical institutions, the Group regards TCM products and technologies as its core competitiveness and endeavours to provide differentiated and systematic TCM health comprehensive services to the people. It continues to optimize coordinated integration of characteristic TCM diagnosis and treatment, physical therapy and rehabilitation and health products to ensure benign operation of TCM medical institutions. During the Reporting Period, several new specialty TCM and external treatment projects were added, including pediatric conditioning and postpartum rehabilitation, pushing the volume of diagnosis and treatment services to over 160,000 times.

II. Strengthen the foundation driven by technological innovation and promote inheritance and innovative development of TCM

As of 31 December 2024, the Group possessed 2 national enterprise technology centers, 2 academician workstations, 3 Chinese medicine master studios, 3 post-doctoral workstations, 16 provincial enterprise technology centers, 7 provincial engineering technology research centers, 2 provincial engineering research centers, 2 provincial key laboratories, 8 CNAS laboratories and 1 provincial industrial design center.

The Group firmly adheres to the leading role of technological innovation and steadily promotes high quality development of technological innovation. Its technological research projects have achieved new breakthroughs and won a number of provincial-level scientific and technological awards. Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. participated in the research project "Data-driven Key Technologies and Application for Quality Control in Miao Medicine Production Process" (數據驅動的苗藥生產過程質量管控關鍵技術及應用), which won the second prize of scientific and technological progress in Guizhou province, and participated in the research projects "Clinical and Basic Research, Drug Development and Application of Traditional Chinese Medicine for the Prevention and Treatment of Chronic Liver Disease" (中醫藥防治慢性肝病的臨床及基礎研究、藥物開發和應用) and "Systematic Research on the Characteristic Processing Technology of Guizhou Miao Medicine Represented by Liaogewang" (以了哥王為代表的貴州苗藥特色炮製技術的系統研究), which won the third prize of scientific and technological progress in Guizhou province. Shandong Zhongping Pharmaceutical Co., Ltd. participated in the research project "Shandong Authentic Medicinal Materials Honeysuckle and Salvia Miltiorrhiza Varieties Breeding and Industrial Application" (山東道地藥材金銀花、丹參良種選育及產業化應用), which won the second prize of the Industry-University-Research Cooperation Innovation Achievement Award of China Industry-University-Research Collaboration Association (中國產學研合作促進會產學研合作創新成果獎).

The Group advances research on Chinese medicinal herbs resources and achieved new breakthroughs. During the Reporting Period, the rhizoma fagopyri dibotryis "Guoqiao No. 1" (國蕎1號) and epimedium "Guitong Roumao No. 1" (貴同柔毛1號) bred by the Group were authorized as new varieties by the Ministry of Agriculture and Rural Affairs. The epimedium quality standardization project was approved by ISO/TC249 international standard; four varieties including stevia, poria, gynostemma pentaphylla and peanut seed-coat were recognized by Guangdong province's local standards for Chinese medicinal herbs.

Research on concentrated TCM granules continues to maintain its leading edge. During the Reporting Period, the Chinese Pharmacopoeia Commission issued 51 new national drug standards for concentrated TCM granules, of which 34 were completed by the Group, accounting for 67%. As of 31 December 2024, the Chinese Pharmacopoeia Commission has issued a total of 316 standards for concentrated TCM granules, of which 172 were completed by the Group, accounting for 54%. Among them, the standards for animal concentrated granules such as difficult varieties of bombyx batryticatus and fried bombyx batryticatus have been made public, achieving a zero breakthrough in the standards for animal concentrated TCM granules.

Important progress has been made in the research of evidence-based medicine and classic prescriptions of TCM. Danggui Buxue Tang Granules (當歸補血湯顆粒), an independently developed category 3.1 innovative traditional Chinese medicine, was approved for listing, and Taohe Chengqi Granules (桃核承氣顆粒) was accepted for registration. 31 evidence-based studies were conducted on major marketed varieties of TCM finished drugs, among which the research on the mechanism of action of Fengshi Gutong Capsule (風濕骨痛膠囊) in the treatment of osteoarthritis was successfully published.

During the Reporting Period, the Group applied for a total of 172 patents and obtained 126 authorized patents, including 68 invention patents and 54 utility model patents, covering key technical fields in multiple business sectors such as TCM resources, TCM decoction pieces, concentrated TCM granules and TCM finished drugs, which provided support for the Company's technological innovation and product upgrades.

III. Comprehensively improve the modern management and control system to promote high-quality development

(I) Firmly adhere to the goal of deepening reform and shape the new momentum for high-quality development

The Group focuses on the two goals of "improving core competitiveness" and "enhancing core functions". Using the optimization of management structure and resource allocation as a means, the Group consolidates the foundation of stable operations, continues to increase operating efficiency, actively cultivates and develops strategic emerging industries, strengthens the leading role of technological innovation, and builds a new engine to drive business growth, thereby accumulating momentum for the Group's high-quality development. During the Reporting Period, the Group further enhanced the systematic, holistic and coordinated nature of the reform, arranged implementation of reform tasks in a coordinated manner, managed to stabilize the basic foundation of entire industry chain, and optimized the management structure layout. It effectively improved modern corporate governance, prevented various risks, accelerated digital transformation, and continued to tackle the development of TCM research, injecting new impetus into the modernization, standardization and technological development of TCM industry.

(II) Firmly promote implementation of the strategy of strengthening the enterprise with talents and stimulate the innovation and creativity of employees

The Group strictly implements the strategic measures to strengthen the enterprise through talents, increases the level of talent work, and strives to build a scientific and efficient talent development system and mechanism. The Group implemented and improved the talent development system of "Five-Element & Great-Plan", providing full-cycle training for new employees through the "Famous Star Program" to systematically promote the training of young talents; optimized the "Famous Class Program" training system, and established a dual-channel development path of "professionalism + management" in the field of Chinese medicinal herbs, so as to strengthen the training of talents with TCM characteristics. As of 31 December 2024, the number of professional and technical personnel reached 1,005, representing a year-on-year increase of 17.0%; there were 543 certified internal trainers, representing a year-on-year increase of 23.6%.

During the Reporting Period, the Group proceeded with the construction of a multi-dimensional employer brand, achieved enhancement of its influence in the industry, and thus won the "Ram Charan Management Practice Award" in 2024.

(III) Strengthen the foundation to accelerate digital evolution, and cultivate new momentum for "digital TCM"

The Group has been orderly advancing the construction of projects for digitalization of industries and control, and continued to strengthen its research and development and IT infrastructure base capabilities. In terms of industrial digitalization, Guangdong Yifang Pharmaceutical Co., Ltd.'s "Industrial Internet Identification Resolution Application for Quality Control and Traceability of TCM" was successfully selected as the Industrial Internet Pilot Demonstration Project in 2023 of the MIIT, becoming the only concentrated TCM granule enterprise that has been selected to apply the identification resolution platform. In terms of digital control, a "unified portal" at all levels has been constructed, and the second phase of talent intelligent management system, the financial intelligent reporting platform and the treasury management system have been launched, realizing the informatization and visualization of major business data, thus increasing management efficiency and operational effectiveness. In terms of IT research and infrastructure construction, we have developed and built a large-scale model "Longyin AI" to explore a deep integration of cutting-edge technologies with the enterprise's applications, empowering business development with technological innovation, which significantly improved business efficiency, and pushed the process of industrial intelligence.

(IV) Strengthen awareness of safety and environmental protection responsibilities and chart a new future for green and low-carbon TCM

The Group strictly implements production safety policies and actively explores innovative safety management models. Through multi-dimensional measures such as responsibility assessment, system construction, hidden danger investigation, safety assessment, publicity and education and emergency drills, the Group comprehensively promotes safety and environmental protection works. During the Reporting Period, the Group continued to promote the implementation of intrinsic safety transformation projects in relevant subsidiaries to systematically improve the intrinsic safety level; revised and improved 36 items of hazard identification lists, system files and assessment standards, and formulated 328 standardized procedures for job positions; organized and carried out 1,705 special safety trainings on mechanical equipment operation, fire emergency response, hazardous chemicals management, etc., which significantly improved the safety operation capabilities of employees and effectively reduced the accident rate.

During the Reporting Period, the "Dual-Carbon Action" plan was steadily promoted, and 108 internal trainings on energy conservation and environmental protection were organized, covering 9,357 employees. At the same time, the selected personnel systematically studied the energy development situation and "dual carbon" practical experience. All trainees passed the assessment and obtained qualification certificates, significantly improving their professional level and ability to perform their duties.

(V) Adhere to the concept of compliance management and build a comprehensive risk defense line

The Group has established legal and compliant operations and integrity system construction as the core principles of sustainable corporate development. During the Reporting Period, the Group continued to improve the level of system management, deepened the system management system of "horizontal and vertical coordination", and the system construction ran through all subsidiaries; established an annual risk analysis and quarterly dynamic monitoring mechanism to achieve zero occurrence of major risk events during the Reporting Period; established a compliance review system covering the entire process, strengthened the compliance review of third-party marketing services through system improvement, list research, on-site inspections, etc., and fully implemented various tasks of pharmaceutical anti-corruption and marketing compliance; established a cross-departmental collaborative supervision mechanism, promoted the optimization of management processes through problem rectification, and formed a virtuous circle of sustainable development.

IV. Policy Update

During the Reporting Period, various national departments issued multiple policies related to the development of TCM. The industry policies related to the Group are as follows:

On 10 January 2024, the Ministry of Commerce, the Ministry of Science and Technology revised and issued the "Catalogue of Technologies Prohibited and Restricted from Export of China" (《中國禁止出口限制出口技術目錄》), which stipulates that certain types of Chinese medicinal herbs resources and production technologies, processing technology of TCM decoction pieces, extraction and processing technology of medicinal ingredients of precious and endangered plants in China, TCM medical technology and the formula and production technology of TCM are prohibited or restricted from export. The restricted export of TCM medical technology includes medical theory design and effective prescriptions of famous or veteran doctors of TCM, as well as the disease diagnosis and treatment systems that have won the first and second prizes of scientific and technological progress at the provincial or ministerial level or above.

On 12 January 2024, the National Healthcare Security Administration ("NHSA") issued the "Notice on Strengthening the Supply Guarantee of Selected Products in Centralized Pharmaceutical Procurement" (《關於加強醫藥集中帶量採購中選產品供應保障工作的通知》), which requires the medical insurance bureaus of all provinces, autonomous regions and municipalities directly under the central government to attach great importance to the supply guarantee of selected products in centralized procurement, effectively assume the responsibilities of supply monitoring, supervision and rectification and handling breach of contract, and refine and improve specific policies and measures to ensure that the public continues to enjoy the results of the centralized procurement reform from six aspects: timely organizing and signing purchase agreements, clearing channels for feedback from medical institutions, actively coordinating to respond to short-term surges in demand, monitoring the supply of selected products, exploring the establishment of a supply evaluation mechanism and strengthening the application of supply evaluation results.

On 7 March 2024, the National Administration of Traditional Chinese Medicine (the "NATCM") issued the "Key Points of China's Medical Administration Work in 2024" (《2024年中國醫政工作要點》) (the "Key Points"). Based on the "Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Inheritance, Innovation, and Development of Traditional Chinese Medicine" (《中共中央國務院關於促進中醫藥傳承創新發展的意見》), the Key Points further implement the inheritance and innovation of TCM by adhering to the principle of maintaining integrity and innovation, promoting deepening reform and strengthening connotation construction, so as to continue to give play to unique advantages and promote the high-quality development of TCM medical services.

On 22 April 2024, the Center for Drug Evaluation of the NMPA issued the "Guiding Principles for Compiling Pharmaceutical Application Information for Traditional Chinese Medicine Compound Preparations Managed According to the Catalogue of Ancient Classic Formulas (Trial)" (《按古代經典名方目錄管理的中藥複方製劑藥學申報數據撰寫指導原則(試行)》) to promote the research and development and registration of TCM compound preparations managed according to the catalogue of ancient classic formulas.

On 13 May 2024, the Center for Drug Evaluation of the NMPA issued the "Technical Guidelines for Research of New Improved Traditional Chinese Medicines (Trial)" (《中藥改良型新藥研究技術指導原則(試行)》), which clarified the direction of TCM improvement, injected new impetus into the development of the TCM industry, and opened up a new pattern for the inheritance and innovation and the enhancement of the quality and safety of TCM products.

On 20 May 2024, the NHSA issued the "Notice on Strengthening Regional Coordination for Improving the Quality and Expanding the Scope of Centralized Medical Procurement in 2024" (《關於加強區域協同，做好2024年醫藥集中採購提質擴面的通知》), requiring continued efforts to promote the centralized and volume-based procurement of medicines, strengthen regional coordination, improve the scale and standardization of alliance procurement, clarify industry expectations, and continuously consolidate reform results.

On 24 May 2024, the NHSA issued the "Notice on Further Promoting the Experience of Sanming Medical Reform and Continuously Advancing the Innovation and Development of Medical Insurance Work" (《關於進一步推廣三明醫改經驗　持續推動醫保工作創新發展的通知》), which clarified the continuous consolidation and implementation of the institutional achievements of Sanming Medical Reform, and specified the "task list" to be carried out in six aspects, including accelerating the reform progress of centralized procurement of drug and medical consumables, increasing medical insurance support for grassroots medical institutions, and striving to improve the level of medical insurance payment management by focusing on the coordinated development and governance of "medical care, medical insurance and pharmaceuticals". This means that the procurement of drugs and medical equipment will be more transparent and efficient, the competition landscape of the pharmaceutical industry will be reshaped, which will promote the concentration and fairness of the industry, encourage pharmaceutical manufacturers to increase scientific and technological innovation and technology upgrades, effectively improve the competitiveness of products and services, and facilitate the win-win and sustainable development of the entire medical and healthcare system.

On 27 May 2024, fourteen departments including the National Health Commission (the "NHC") issued the "Notice on the Key Points for the Rectification of Unethical Practices in the Field of Pharmaceutical Purchasing and Sales and Medical Services in 2024" (《2024年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》) (the "Notice"). The Notice clearly proposed to coordinate and promote the centralized rectification of corruption in the pharmaceutical field nationwide, the centralized rectification of unethical practices and corruption among the people, and to deepen the coordinated promotion of institutional construction in the field of pharmaceutical purchasing and sales.

On 30 May 2024, the NATCM issued the "Notice on Further Strengthening the Construction of Rehabilitation Departments in Traditional Chinese Medicine Hospitals" (《關於進一步加強中醫醫院康復科建設的通知》), giving full play to the unique advantages of TCM rehabilitation services, expanding service supply, improving service quality, and accelerating the high-quality development of rehabilitation departments in traditional Chinese medicine hospitals, so as to meet the growing demand for TCM rehabilitation services of the people.

On 6 June 2024, the General Office of the State Council issued the "Key Tasks for Deepening the Reform of the Medical and Health System in 2024" (《深化醫藥衛生體制改革2024年重點工作任務》), proposing to promote the inheritance and innovation development of TCM and facilitate the construction of national TCM inheritance and innovation centers, as well as "flagship" hospitals for integrating traditional Chinese and western medicine. In additional, measures should be taken to support the layout of the whole industry chain of leading enterprises in the TCM industry, and accelerate the establishment of the traceability system of the whole industry chain of TCM. In terms of government reform of medical insurance, it is proposed to carry out a pilot project of payment for TCM dominant diseases.

On 10 July 2024, the NMPA issued the "Special Provisions on the Administration of Standards of Traditional Chinese Medicines" (《中藥標準管理專門規定》) (the "Provisions"), which came into effect on 1 January 2025. The Provisions combine the characteristics of the TCM industry and make comprehensive regulations on the standard management of Chinese medicinal herbs, TCM decoction pieces, concentrated TCM granules, Chinese medicinal herbs extracts and TCM finished drugs. The document emphasizes that the use of advanced technologies such as artificial intelligence and big data is encouraged to improve the controllability of the quality of TCM, and clearly defines three situations in which national drug standards can be formulated as a priority, including TCM specialty varieties, varieties included in the medical insurance catalogues and the basic drug catalogues, and other varieties for which standards need to be formulated as a priority. In addition, the Provisions specify the management of the botanical origin of Chinese herbal medicines, standards of imported herbal medicines, and the naming of common names for decoction pieces, laying the foundation for improving the standardized management of TCM.

On 31 July 2024, the NATCM issued the "Action Plan for Standardization of Traditional Chinese Medicine (2024-2026)"(《中醫藥標準化行動計劃(2024-2026年)》) (the "Plan"), which clearly stated that by the end of 2026, a standard system suitable for the high-quality development of TCM will be established, and the formulation of 180 domestic standards and 30 international standards will be completed. The Plan focuses on the standards of TCM pharmaceutical services, quality standards of TCM, industrial chain standards and intelligent equipment standards, and promotes the standardization of the entire industrial chain, including seeds and seedlings, processing technology, logistics and warehousing of Chinese medicinal herbs. It also proposed the establishment of a think tank for the standardization of TCM and the training of 450 professional talents to enhance the international standardization capabilities of TCM and facilitate global promotion.

On 1 August 2024, the General Office of the State Council issued the "Guiding Opinions on Improving the Long-term Mechanism of Basic Medical Insurance Enrollment"(《關於健全基本醫療保險參保長效機制的指導意見》), proposing the following key measures. Firstly, improve policies: relax household registration restrictions on medical insurance enrollment, promote the linkage between payment and economic development, support the payment of close relatives by employee medical insurance, establish a continuous insurance and zero reimbursement incentive mechanism, and set up a waiting period for benefits for those who have not been continuously insured from 2025. Secondly, optimize services: establish a national insurance database, promote integrated processing of newborn insurance, and bring village clinics that apply voluntarily and meet the conditions into real-time settlement of medical insurance.

On 3 August 2024, the General Office of the State Council issued the "Opinions on Promoting the High-Quality Development of Service Consumption"(《關於促進服務消費高質量發展的意見》, proposing to optimize the medical and healthcare consumption structure, promote the development of "Internet + Healthcare", and improve the quality of integrated medical and geriatric care. At the same time, support the development of TCM time-honored brand enterprises, promote the upgrading of healthcare and rehabilitation services, strengthen the functions of retail pharmacies in health promotion and nutritional health, so as to improve the level of medical and TCM services.

On 8 September 2024, the National Development and Reform Commission and the Ministry of Commerce jointly issued the "Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Edition)"(《外商投資准入特別管理措施(負面清單) (2024年版)》), which became effective on 1 November 2024. This revision removes the restrictions on foreign investment in "processing technology of TCM decoction pieces" and "the production of confidential prescription products of TCM finished drugs", which brings development opportunities to the TCM industry and helps promote industry upgrading, inheritance and innovation, and internationalization.

On 13 September 2024, the NHC, the NATCM, and the Health Bureau of Logistics Support Department of the Central Military Commission jointly revised and issued the "Guidelines for Traditional Chinese Medicine Work in General Hospitals (2024 Edition)" (《綜合醫院中醫藥工作指南(2024版)》) (the "Guidelines"). The new version of the Guidelines pointed out that other clinical departments of general hospitals should provide services such as TCM decoction pieces, TCM finished drugs and appropriate TCM technologies, encourage establishment of integrated Chinese and western medicines clinics and wards, improve the consultation and referral mechanism, and carry out TCM training for clinical physicians. The quality control of TCM treatment should cover the entire process, which includes quality control of TCM for single disease category and improvement of prescription review system and adverse reaction monitoring mechanism. In addition, public comprehensive hospitals with clinical departments of TCM need to incorporate the coordination mechanism of Chinese and western medicines into a hospital charter, increase investment in TCM, support the construction of specialty departments, and establish a performance evaluation mechanism for TCM services.

On 14 September 2024, the NATCM issued the "Management Measures for the Construction of Traditional Chinese Medicine Processing Technology Inheritance Bases of the National Administration of Traditional Chinese Medicine " (《國家中醫藥管理局中藥炮製技術傳承基地建設管理辦法》) (the "Management Measures") and the "Construction Standards for Traditional Chinese Medicine Processing Technology Inheritance Bases of the National Administration of Traditional Chinese Medicine" (《國家中醫藥管理局中藥炮製技術傳承基地建設標準》) (the "Construction Standards"). The Management Measures clarifies the responsibilities of the competent authorities and construction units at all levels, stipulates the application conditions and procedures, and puts forward specific requirements for corporate applicants. The Construction Standards stipulates basic requirements, results requirements and other aspects, and clarifies that the bases should be constructed around theory, talents, technology, cultural heritage and innovative applications. The enterprise bases are required to achieve results in new process research and development, application of special equipment, industrial drive, talent cultivation and standard establishment.

On 21 October 2024, the NMPA and the NATCM issued the "Announcement on Matters Concerning Supporting the Research and Development of Substitutes for Rare and Endangered Traditional Chinese Medicinal Materials" (《關於支持珍稀瀕危中藥材替代品研製有關事項的公告》), which clearly states that focus shall be put on supporting the research and development of substitutes for rare and endangered traditional Chinese medicinal materials such as pangolin, antelope horn, bezoar, bears' bile powder, cordyceps sinensis; priority review and approval will be given to substitutes with clear clinical positioning and obvious clinical value.

On 11 November 2024, the NHSA and the Ministry of Finance jointly issued the "Notice on Improving the Prepayment of Medical Insurance Funds" (《關於做好醫保基金預付工作的通知》), which supports qualified regions to improve prepayment management methods, alleviating the advance payment pressure on medical institutions through prepayment of medical insurance funds, and promoting the coordinated development of "medical care, medical insurance and pharmaceuticals". Prepayments may only be used for medical expenses such as the purchase of medicines and medical supplies, and are strictly prohibited from being used for non-medical expenses. The prepayment scale is based on the average monthly expenditure of the previous first one to three months, which shall be controlled at around one month, and disbursed according to the fund balance and risk level. The medical insurance department shall include prepaid amount in service agreements, clarify the recovery mechanism, stop the payment that cannot be recovered, and initiate legal proceedings to ensure the safety of the fund.

On 22 November 2024, six departments including the NHC, the Ministry of Industry and Information Technology and the NHSA issued the "Opinions on Reforming and Improving the Primary Drug Linkage Management Mechanism and Expanding Primary Drug Varieties" (《關於改革完善基層藥品聯動管理機制擴大基層藥品種類的意見》), aiming to reform and improve the primary drug linkage management mechanism to enhance primary medical service capabilities and drug supply varieties, especially for the medication needs of patients with chronic diseases and common diseases. Drug supply and quality safety can be ensured through evaluating the drug needs of primary medical institutions, standardizing drug types and catalogues, and establishing a dynamic adjustment mechanism for drug allocation and use.

On 11 December 2024, the NATCM issued the "Opinions on Accelerating the Construction of TCM Advantage Specialties" (《關於加快推進中醫優勢專科建設的意見》), which requires that by 2029, there will be 10,000 TCM advantage specialties across the country, forming a specialty network with a reasonable structure, wide geographical coverage and TCM characteristics. The main measures include: firstly, to focus on advantageous diseases, optimize diagnosis and treatment plans, and expand the service capacity of TCM; secondly, to improve comprehensive services, promote multi-disciplinary joint diagnosis and treatment, and enhance the diagnosis and treatment capabilities for major diseases; thirdly, to strengthen TCM nursing services and improve the TCM skills of nursing personnel; fourthly, to strengthen the construction of the talent team and promote the experience inheritance of famous or veteran doctors of TCM; fifthly, to improve clinical scientific research capabilities, promote innovation in TCM medical technologies, and strengthen cooperation with scientific research institutions.

On 12 December 2024, five departments including the NHC and the NHSA jointly issued the "Guiding Opinions on Promoting the High-Quality Development of Integrated Medical and Elderly Care Services" (《關於促進醫養結合服務高質量發展的指導意見》), which requires to promote the high-quality development of integrated medical and elderly care services from four aspects: firstly, to strengthen quality control, require integrated medical and elderly care institutions to enhance quality and safety management, implement diagnosis and treatment norms and industry standards, and encourage the integration of closed medical consortium for unified management; secondly, to improve service quality and efficiency, promote team service models, facilitate "Internet + medical and elderly care integration", and increase medical insurance support; thirdly, to strengthen team building, encourage graduates of relevant majors and retired medical personnel to work in integrated medical and elderly care institutions, and broaden talent cultivation channels; fourthly, to ensure service safety, require the establishment of a medical service quality and safety management system, implement core medical quality systems, and strengthen supervision of medical and elderly care institutions.

On 13 December 2024, the NATCM issued the "Specifications for Information and Digital Construction of Traditional Chinese Medicine Hospitals (2024 Edition)" (《中醫醫院信息與數字化建設規範(2024版)》), aiming to improve the intelligence level of TCM hospitals and promote the integrated development of TCM and new-generation information technology. It promotes TCM hospitals to utilize the Internet and information technology, develops Internet TCM medical care, remote services and online and offline integration, optimizes the allocation of TCM resources, and facilitates the sinking of high-quality resources to local areas and regional sharing; at the same time, it advances the construction of an information platform with TCM electronic medical records as the core, and improves service convenience, intelligence and efficiency, deepening the "Internet + TCM" convenient and beneficial services for the public.

V. Work Arrangement for the Next Step

In 2025, the Group will firmly and thoroughly implement the strategic requirements of deepening reform and upgrading, build consensus on the high-quality development of TCM great health, adhere to the general tone of seeking progress while maintaining stability, continue to focus on strategic operation management and control, and strengthen the basic foundation of the industry; with resource integration and reform and transformation as the core driving force, improve quality and efficiency to revitalize business operations, strengthen core competitive advantages in all aspects and multiple business segments, form synergy through integration, and contribute new force to the construction of a modern, technological, global and standardized system for the TCM industry. Specific measures include:

Firstly, make targeted efforts to consolidate the basic development foundation of the TCM great health industry chain. Promote the Chinese medicinal herbs integration business towards high-quality and efficient development, strengthen base construction, vigorously develop strategic reserves and graded processing in the place of origin, explore seed and seedling operation business, and enhance customer stickiness and supply security of TCM resources; strengthen the advantages of regional leading enterprises in TCM decoction pieces, deepen the market layout in key provinces (regions and municipalities) across the country, and create a characteristic TCM decoction pieces business with toxic decoction pieces and varieties in the place of origin as entry points. Continue to optimize the decoction and distribution model, unleash the regional layout and resource advantages, and explore coordinated development with concentrated TCM granules; consolidate the dominant position in the concentrated TCM granules industry, create a three-in-one characteristic industrial system of "core enterprises + characteristic enterprises + supporting enterprises", strengthen production cost control, while striving to achieve the transformation and upgrading of the business model and marketing system of concentrated TCM granules; explore new growth points in the TCM finished drugs market, focus on the advantages of production and sales synergy, promote the construction of product clinical value, build advantageous treatment areas, accelerate the creation of varieties with sales volume of over RMB100 million, cultivate, explore and launch multiple strategic varieties, and enrich the product matrix of TCM finished drugs; reshape and integrate the TCM great health business, promote horizontal and vertical coordination of resources, use high-quality decoction pieces and authentic resources as chess pieces, strengthen advantageous varieties, and integrate brand building and channel empowerment.

Secondly, comprehensively carry out the final work of the reform deepening and upgrading action. Focus on the three core areas of technological innovation, industrial control and security support, implement and deepen the strategic tasks of reform, strengthen the effectiveness of measures, drive the ecological and high-quality development of the TCM industry, accelerate the construction of a modern TCM industry system in the transformation, drive industrial upgrading with reform and innovation, and fully release long-term endogenous driving force.

Thirdly, establish a coordinated response mechanism for the expansion of centralized procurement and seize new opportunities for industry development. Build a linkage system between centralized procurement and medicinal herbs operation, strengthen collaboration on key businesses, improve bargaining power and resource allocation efficiency; dynamically track trends in medical insurance centralized procurement policies, conduct in-depth analysis and judgment on centralized procurement rules, and respond to local centralized procurement policies based on local conditions.

Fourthly, fully promote the reform of technological innovation and create new momentum for TCM research. Further consolidate and strengthen the construction of the technological innovation system, integrate internal technological resources and scientific research talent advantages, promote close collaboration among government, industry, academia, researchers and hospitals, improve the construction of scientific research management mechanisms, and empower the transformation and application of high-quality scientific research results in multiple dimensions throughout the entire chain.

Fifthly, firmly implement the strategy of strengthening enterprises through talents and create a three-dimensional employer brand image. Deepen the construction of a talent team with TCM characteristics in multiple dimensions, build a scientific and complete talent cultivation system, increase efforts to attract talents and improve the scientific research talent team, and create a fertile ground for talent growth.

Sixthly, actively explore overseas business layout, strengthen international product registration and overseas certification, enhance business collaboration and risk resistance capacity in the international market, and promote the "going out" of TCM products.

BUSINESS ANALYSIS

During the Reporting Period, the Group's revenue was approximately RMB16,509,708,000, representing a decrease of 8.9% compared with approximately RMB18,121,861,000 for last year. Revenue and cost of sales of each business segment are as follows:

	Twelve months ended 31 December					
Business segments	**2024 Revenue RMB'000**	2023 Revenue RMB'000	Change	**2024 Cost of sales RMB'000**	2023 Cost of sales RMB'000	Change
Chinese medicinal herbs integration business	**1,386,669**	1,855,534	-25.3%	**1,232,196**	1,663,227	-25.9%
TCM decoction pieces	**3,314,794**	2,811,368	17.9%	**2,547,079**	2,216,989	14.9%
Concentrated TCM granules	**6,972,013**	9,108,382	-23.5%	**3,003,205**	3,143,807	-4.5%
TCM finished drugs	**4,552,955**	3,994,333	14.0%	**1,656,749**	1,566,796	5.7%
TCM great health	**283,277**	352,244	-19.6%	**214,171**	256,550	-16.5%
Total	**16,509,708**	18,121,861	-8.9%	**8,653,400**	8,847,369	-2.2%

1. Chinese medicinal herbs integration business

	Twelve months ended 31 December		
	2024 RMB'000	2023 RMB'000	Change
Revenue	**1,386,669**	1,855,534	-25.3%
Cost of sales	**1,232,196**	1,663,227	-25.9%
Gross profit	**154,473**	192,307	-19.7%
Gross profit margin	**11.1%**	10.4%	0.7pp

During the Reporting Period, the revenue of the Chinese medicinal herbs integration business segment was approximately RMB1,386,669,000, representing a decrease of 25.3% compared with the revenue of approximately RMB1,855,534,000 for last year and accounting for 8.4% of the total revenue, which was mainly due to: (1) the optimization of resource allocation and reduction of some low-margin businesses during the Period; and (2) the fluctuations in the market price of some medicinal materials and a decrease in sales orders.

The gross profit margin during the Period was 11.1%, representing an increase of 0.7 percentage point compared with 10.4% for last year, which was mainly attributed to the reduction of low-margin businesses and the optimization of the sales structure.

2. TCM decoction pieces

	Twelve months ended 31 December		
	2024	2023	
	RMB'000	RMB'000	Change
Revenue	**3,314,794**	2,811,368	17.9%
Cost of sales	**2,547,079**	2,216,989	14.9%
Gross profit	**767,715**	594,379	29.2%
Gross profit margin	**23.2%**	21.1%	2.1pp

During the Reporting Period, the revenue of the TCM decoction pieces business segment was approximately RMB3,314,794,000, representing an increase of 17.9% compared with the revenue of approximately RMB2,811,368,000 for last year and accounting for 20.1% of the total revenue. TCM decoction pieces business segment showed a steady growth momentum, which was mainly due to the continued efforts in the field of medical terminals sales, which resulted in steady growth in revenue from existing customers and brought the growth in the intelligent decoction distribution center business simultaneously.

The gross profit margin for the Period was 23.2%, representing an increase of 2.1 percentage points compared with 21.1% for last year, which was mainly due to the increase in the proportion of medical terminal sales business and further optimization of the sales structure.

3. Concentrated TCM granules

	Twelve months ended 31 December		
	2024	2023	
	RMB'000	RMB'000	Change
Revenue	**6,972,013**	9,108,382	-23.5%
Cost of sales	**3,003,205**	3,143,807	-4.5%
Gross profit	**3,968,808**	5,964,575	-33.5%
Gross profit margin	**56.9%**	65.5%	-8.6pp

During the Reporting Period, the revenue of the concentrated TCM granules business segment was approximately RMB6,972,013,000, representing a decrease of 23.5% compared with the revenue of approximately RMB9,108,382,000 for last year and accounting for 42.2% of the total revenue, which was mainly due to: (1) the significant decline in sales revenue as a result of the substantial decrease in the selling price of the varieties under centralized procurement after the implementation of centralized procurement policy on concentrated TCM granules; and (2) the decrease in sales volume during the Period as a result of the intensified market competition.

The gross profit margin during the Period was 56.9%, representing a decrease of 8.6 percentage points compared with 65.5% for last year, which was mainly due to the significant decrease in the selling price of the varieties of concentrated TCM granules under centralized procurement, and also due to the decrease in gross profit margin as a result of relatively high costs of raw materials and underutilization of capacity.

4. TCM finished drugs

	Twelve months ended 31 December		
	2024	2023	
	RMB'000	RMB'000	Change
Revenue	**4,552,955**	3,994,333	14.0%
Cost of sales	**1,656,749**	1,566,796	5.7%
Gross profit	**2,896,206**	2,427,537	19.3%
Gross profit margin	**63.6%**	60.8%	2.8pp

During the Reporting Period, the revenue of the TCM finished drugs business segment was approximately RMB4,552,955,000, representing an increase of 14.0% compared with the revenue of approximately RMB3,994,333,000 for last year and accounting for 27.6% of the total revenue. The development of the TCM finished drugs business segment continued to improve, which was mainly attributed to the deepening of the production and sales synergy during the Period. Through actively promoting market integration, focusing on the pipeline construction of key varieties, and continuing to carry out brand promotion and other measures, the sales scale of 9 key varieties exceeded RMB100 million, and 28 key varieties achieved year-on-year sales growth during the Period.

The gross profit margin during the Period was 63.6%, representing an increase of 2.8 percentage points compared with 60.8% for last year, which was mainly attributed to the economies of scale driven by the increase in sales volume and selling prices of some products.

5. TCM great health

	Twelve months ended 31 December		
	2024	2023	
	RMB'000	RMB'000	Change
Revenue	**283,277**	352,244	-19.6%
Cost of sales	**214,171**	256,550	-16.5%
Gross profit	**69,106**	95,694	-27.8%
Gross profit margin	**24.4%**	27.2%	-2.8pp

During the Reporting Period, the revenue of TCM great health business segment was approximately RMB283,277,000, representing a decrease of 19.6% compared with the revenue of approximately RMB352,244,000 for last year and accounting for 1.7% of the total revenue, which was mainly due to the decrease in sales volume during the Period as a result of insufficient market expansion.

The gross profit margin during the Period was 24.4%, representing a decrease of 2.8 percentage points compared with 27.2% for last year, which was mainly due to the decrease in sales volume and the increase in unit costs, which led to the decrease in gross profit margin.

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Other income

For the twelve months ended 31 December 2024, the Group's other income was approximately RMB197,696,000, representing a decrease of 31.8% compared with approximately RMB290,015,000 for last year. Such decrease was mainly because the Group received government grants of approximately RMB141,000,000 during the Reporting Period, representing a decrease of 35.0% compared with approximately RMB216,911,000 for last year.

Other gains and losses

For the twelve months ended 31 December 2024, the Group's other losses were approximately RMB538,914,000 (other gains for the twelve months ended 31 December 2023: approximately RMB4,287,000). During the Period, the substantial increase in other losses compared with the last year was mainly the result of: (i) impairment losses recognized in assets such as goodwill, property, plant and equipment during the Period were approximately RMB464,002,000, representing an increase of approximately RMB443,229,000 compared with last year; (2) penalty interests paid during the Period were approximately RMB64,237,000, representing an increase of approximately RMB63,021,000 compared with last year; and (3) the net loss arising from disposal of property, plant and equipment during the Period was approximately RMB2,825,000, compared with a net gain of approximately RMB26,342,000 last year.

Impairment losses under expected credit loss model, net of reversal

As at 31 December 2024, the balance of trade receivables of the Group for more than one year had increased by approximately RMB380,699,000 year-on-year. According to the Group's credit impairment loss provision policy, the provision for credit impairment loss was approximately RMB106,554,000 during the Period, representing an increase of approximately RMB97,188,000 compared with approximately RMB9,366,000 for last year.

Selling and distribution costs

For the twelve months ended 31 December 2024, the Group's selling and distribution costs were approximately RMB5,419,271,000 (twelve months ended 31 December 2023: approximately RMB6,403,201,000). Selling and distribution costs decreased by 15.4% as compared with last year, which was mainly because the sales composition changed and the income from concentrated TCM granules decreased year-on-year, resulting in a decrease in relevant selling expenses during the Period.

Administrative expenses

For the twelve months ended 31 December 2024, the Group's administrative expenses were approximately RMB1,057,664,000 (twelve months ended 31 December 2023: approximately RMB1,043,318,000). Administrative expenses increased by 1.4% as compared with last year, which was mainly attributable to a three-year period since the implementation of the national standard policy for concentrated TCM granules in November 2021, the enterprise standard concentrated TCM granules and concentrated TCM granules produced for the record of the national and provincial standards expired one after another, resulting in an increase in the loss of inventory scrapping.

Research and development expenses

For the twelve months ended 31 December 2024, the Group's research and development ("R&D") expenses amounted to approximately RMB596,007,000, representing a decrease of 13.1% as compared with approximately RMB685,632,000 for last year. During the Reporting Period, research and development expenses were mainly used for: (1) research to improve quality standards, focusing on standards research for concentrated TCM granules; (2) research to improve future benefit, focusing on R&D of innovative drugs as well as classical formulae; and (3) research to improve future efficiency, focusing on research for adaptability research for the production of TCM products.

Finance costs

For the twelve months ended 31 December 2024, the Group's finance costs were approximately RMB171,535,000 (twelve months ended 31 December 2023: approximately RMB199,045,000), representing a year-on-year decrease, which was mainly due to the adjustments to the Group's financing scale and products structure during the Period, resulting in a decrease in the effective loan interest rate year-on-year. During the Reporting Period, the Group's effective loan interest rate was 2.65% (twelve months ended 31 December 2023: 2.78%). The Group will continue to closely monitor the changes in market interest rate, adjust its borrowing and fundraising mechanism as appropriate, and refinance or enter into new agreements for existing bank loans, when favourable opportunities for bargaining arise.

Share of losses of associates

For the twelve months ended 31 December 2024, the Group recorded share of losses of associates of approximately RMB950,000, and approximately RMB3,699,000 for last year, representing a decrease of 74.3% year-on-year in investment loss in associates during the Period.

Profit for the year

For the twelve months ended 31 December 2024, the Group's profit for the year was approximately RMB20,771,000, representing a decrease of 98.5% as compared with approximately RMB1,396,070,000 for last year, and the net profit margin (defined as profit divided by revenue for the year) was 0.1%, representing a decrease of 7.6 percentage points from 7.7% for last year, which was mainly attributable to: (1) the declines in scale of sales and profitability of the concentrated TCM granules business as compared to the previous year affected by multiple factors such as the decrease in centralized procurement price, intensified competition in the market and high cost of medicinal materials; (2) the increase in credit impairment, impairment of goodwill, and impairment of property, plant and equipment during the Period; and (3) the remedial corresponding taxes and late payment fees paid by certain subsidiaries after they were subjected to tax inspections or carried out self-inspections for tax purposes during the Period.

Non-HKFRS measure — adjusted net profit

To supplement financial information, which is presented in accordance with HKFRS, the Group also provides adjusted net profit as non-HKFRS measures, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that the non-HKFRS measure (i) facilitates year-on-year comparisons of operating performance by eliminating potential impacts of items that the management does not consider to be indicative of operating performance; and (ii) provides useful information to investors in understanding and evaluating the Group's results of consolidated statements of profit or loss and other comprehensive income in the same manner as they helped the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies as they do not have a standardized meaning. The application of the non-HKFRS measure has limitations as an analytical tool, and the Shareholders and investors should not consider it in isolation from, or as substitute for analysis of, results of operations or financial condition of the Group as reported under HKFRS.

The Group defined the adjusted net profit as the net profit for the Period eliminating effects of (i) provision for goodwill impairment; and (ii) the remedial taxes in certain subsidiaries. The adjusted items mentioned above are non-recurring expenses and the provision for the impairment is non-cash item, which would not pose adverse impacts on the Group's continuing operation. The adjusted net profit for the year ended 31 December 2024 was approximately RMB635,540,000, representing a decrease of 54.5% compared with approximately RMB1,396,070,000 for profit for the year ended 31 December 2023.

	Twelve months ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit for the year	**20,771**	1,396,070
Adjustment for:		
Impairment loss of goodwill	**431,826**	0
Remedial taxes in certain subsidiaries	**182,943**	0
Adjusted net profit	**635,540**	1,396,070

Earnings per share

For the twelve months ended 31 December 2024, basic earnings per share were RMB1.07 cents, representing a decrease of 95.8% from RMB25.52 cents for last year. The decrease in basic earnings per share was because profit attributable to equity holders of the Company during the Reporting Period decreased by 95.8% to approximately RMB54,067,000 (twelve months ended 31 December 2023: RMB1,285,200,000).

Liquidity and financial resources

As at 31 December 2024, the Group's current assets amounted to approximately RMB18,839,503,000 (31 December 2023: RMB19,799,846,000), which included cash, cash equivalents and bank deposits of approximately RMB4,020,654,000 (31 December 2023: RMB3,267,276,000), of which the pledged bank deposits amounted to approximately RMB153,743,000, mainly for bills payable security (31 December 2023: RMB249,958,000). Trade and other receivables amounted to approximately RMB8,566,512,000 (31 December 2023: RMB9,686,644,000). Current liabilities amounted to approximately RMB7,800,198,000 (31 December 2023: RMB9,332,600,000). Net current assets aggregated to approximately RMB11,039,305,000 (31 December 2023: RMB10,467,246,000). The Group's current ratio was 2.4 (31 December 2023: 2.1). The gearing ratio (defined as bank and other loans and bonds payable divided by equity attributable to equity holders of the Company) decreased from 23.9% as at 31 December 2023 to 18.5%. The decrease in gearing ratio was mainly due to decrease in unsecured notes, bank and other loans of the Group.

Bank and other loans and pledge of assets

As at 31 December 2024, the Group's bank and other loans balance was approximately RMB2,697,314,000 (31 December 2023: RMB3,034,020,000), of which approximately RMB492,113,000 was secured borrowings (31 December 2023: RMB535,783,000). Out of the bank and other loans balance, approximately RMB2,078,923,000 and RMB618,391,000 were repayable within one year and over one year respectively (31 December 2023: approximately RMB2,120,207,000 and RMB913,813,000, respectively).

As at 31 December 2024, the Group's bank deposits of RMB153,743,000, land use rights with carrying values of RMB50,420,000, investment property and property, plant and equipment with carrying values of RMB614,842,000 and bills receivable with carrying values of RMB62,648,000 were pledged to secure certain borrowings and the issuance of bills payables of the Group (31 December 2023: bank deposits of RMB249,958,000, land use rights of RMB91,902,000, investment property and property, plant and equipment of RMB672,502,000 and bills receivable of RMB213,481,000 were pledged).

Capital sources

The Group meets its working capital needs mainly through funds derived from its operating and external financing activities. During the Reporting Period, the Group initiated a bank borrowing of RMB800 million in the first half of 2024 to settle the super & short-term commercial paper of RMB800 million on maturity, and initiated an external financing activity of RMB865 million in the second half of 2024 to succeed the maturing debt and for phased liquidity replenishment. Apart from the above, no major financing activity has been carried out. As at 31 December 2024, the Group had sufficient working capital and a stable financial position, as it had an unutilised bank loan facility of approximately RMB9,490,055,000.

Capital expenditure

For the twelve months ended 31 December 2024, the Group's investments in fixed asset and intangible asset was approximately RMB532,191,000, compared with approximately RMB750,233,000 for last year. During the Reporting Period, capital expenditure was mainly used for subsequent investment in some continuous establishment projects of production bases for concentrated TCM granules and TCM decoction pieces, as well as expense for expansion of extraction capacity.

Financing capacity

As at 31 December 2024, capital commitments which the Group has entered but were outstanding and not provided for in the financial statements were approximately RMB39,586,000 (31 December 2023: approximately RMB152,870,000). Such capital commitments were mainly used for the construction of plants and purchase of facilities. The Group is of the view that with available cash balance, a stable cash inflow from operating activities, undrawn but already granted bank facilities, and recognition and support from major financial institutions, the Group will be capable of fully satisfying liquidity needs and the abovementioned funding needs.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2024 (31 December 2023: nil).

Financial risk

The Group mainly operates in Chinese mainland, with most of its transactions originally denominated and settled in Renminbi, for which the foreign exchange risk is considered insignificant. As at 31 December 2024, the Group had no Hong Kong Dollar bank borrowings and did not enter into any forward foreign exchange contracts. In future, the Group will continue to regularly review its net foreign exchange exposure and take appropriate and timely measures to mitigate the impact of exchange rate fluctuations.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had a total of 16,753 (31 December 2023: 17,303) employees, including the directors of the Company (the "Directors"), of which 5,700 were sales staff, 5,982 were manufacturing staff and 5,071 were engaged in R&D, administration and senior management. Remuneration packages mainly consisted of salary and a discretionary bonus based on individual performance. The Group's total remuneration for the Reporting Period was approximately RMB2,412,832,000 (twelve months ended 31 December 2023: RMB2,387,329,000).

PRE-CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF THE COMPANY

On 21 February 2024, Sinopharm Common Wealth Company Limited (the "Offeror") and the Company jointly published an announcement (the "Joint Announcement"). As disclosed in the Joint Announcement, the Offeror requested the board of Directors of the Company (the "Board") to put forward to the Scheme Shareholders a pre-conditional proposal for the privatisation of the Company by the Offeror by way of a scheme of arrangement under section 673 of the Companies Ordinance (the "Companies Ordinance") (Chapter 622 of the Laws of Hong Kong) which, if approved, would result in the withdrawal of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For details, please refer to the Joint Announcement. Unless otherwise defined, capitalised terms used in this section shall have the same meanings as those defined in the Joint Announcement.

As at 18 October 2024, Pre-Condition (a) (i.e. the ODI Approvals) remained unfulfilled and the Pre-Condition Long Stop Date had not been extended. As a result, the Proposal lapsed on 18 October 2024. Accordingly, no Scheme Document will be despatched and the listing of the Shares on the Stock Exchange will not be withdrawn. For further details, please refer to the joint announcement dated 18 October 2024 jointly issued by the Offeror and the Company.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommended the payment of a final dividend of HK0.35 cents (approximately RMB0.32 cents) per share (2023: Nil) and a special dividend of HK8.30 cents (approximately RMB7.66 cents) per share (2023: Nil) for the year ended 31 December 2024. The final dividend and special dividend are subject to the approval by the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company (the "AGM") and is expected to be payable on 9 July 2025 to the Shareholders whose names appeared on the register of members of the Company on 27 June 2025.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are research and development, production and sales of traditional Chinese medicine and pharmaceutical products in the People's Republic of China (the "PRC"). Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the business, a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2024, and an indication of likely future development in the Group's business, can be found in the "Five-Year Financial Summary", "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to the Consolidated Financial Statements" sections of this report. In addition, a discussion on the Company's environmental policies and performance, the Company's compliance with the relevant laws and regulations that have a significant impact on the Company and the Company's relationships with its employees, customers and suppliers are contained in "Corporate Governance Report" section of this report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 are set out in the section headed "Management Discussion and Analysis" and the consolidated financial statements on pages 87 to 198 of this annual report.

The Board recommended the payment of a final dividend of HK0.35 cents (approximately RMB0.32 cents) per share (2023: Nil) and a special dividend of HK8.30 cents (approximately RMB7.66 cents) per share (2023: Nil) for the year ended 31 December 2024. The total distribution for year ended 31 December 2024 is HK8.65 cents (approximately RMB7.98 cents) per share (2023: nil).

DIVIDEND POLICY

The Board has adopted a dividend policy, with effect from 1 January 2019. The dividend policy of the Company aims to provide reasonable and sustainable returns to the Shareholders and at the same time, maintain a stable financial position so that the Company can fully grasp any available investment and expansion opportunities from time to time.

The Board may declare dividends on an annual basis and/or declare interim dividends (as the case may be). Dividends may be distributed in the form of cash or shares. The Company determines the profit attributable to its Shareholders based on the Hong Kong Accounting Standards. The Board must take into account:

– the Group's actual and anticipated operating results, liquidity and financial condition;

– capital commitment requirement;

– market environment and challenges;

– future development and investment opportunities; and

– any other factors that the Board deems appropriate.

The management will continue to review the dividend policy and propose any amendments for the Board's approval.

DISTRIBUTABLE RESERVES

The reserves available for distribution to shareholders by the Company as at 31 December 2024 are approximately RMB0.994 billion (31 December 2023: approximately RMB0.985 billion).

INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

Details of movements in investment property, other property, plant and equipment and leasehold land during the year are set out in notes 17 and 18 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

Details of the movements in share capital and reserves of the Company and the Group during the year are set out in note 43 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

BANK LOANS AND OTHER BORROWINGS AND UNSECURED NOTES

Particulars of bank loans and other borrowings and unsecured notes of the Group as at 31 December 2024 are set out in notes 32 and 33 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2024 are set out in note 42 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any). As at 31 December 2024, the Company did not hold any treasury shares.

DIRECTORS

The Board comprises the following Directors during the Reporting Period and up to the date of this report:

Executive Directors

Mr. YANG Jun	*Chairman (appointed on 27 September 2024)*
Mr. LI Hongjian	*(appointed on 27 September 2024)*
Mr. CHEN Yinglong	*Former Chairman (resigned on 27 September 2024)*

Non-executive Directors

Mr. LIU Haijian	*(appointed on 15 January 2025)*
Mr. LI Xiangrong	*(appointed on 15 January 2025)*
Mr. ZU Jing	*(appointed on 15 January 2025)*
Ms. XU Jinghui	*(appointed on 15 January 2025)*
Mr. HUANG Hao	*(appointed on 15 January 2025)*
Mr. YANG Binghua	*(resigned on 15 January 2025)*
Mr. WANG Kan	*(resigned on 15 January 2025)*
Mr. MENG Qingxin	*(resigned on 15 January 2025)*
Ms. LI Ru	*(resigned on 15 January 2025)*
Mr. YANG Wenming	*(re-designated as a non-executive Director from an executive Director on 21 March 2024, and resigned on 15 January 2025)*
Mr. CHENG Xueren	*(re-designated as a non-executive Director from an executive Director and the managing Director on 21 March 2024, and resigned on 15 January 2025)*

Independent Non-executive Directors

Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. QIN Ling
Mr. LI Weidong

During the Reporting Period and up to the date of this report, Mr. CHEN Yinglong resigned as the executive Director due to change of work arrangement on 27 September 2024; Mr. YANG Binghua, Mr. WANG Kan, Mr. MENG Qingxin, Ms. LI Ru, Mr. YANG Wenming and Mr. CHENG Xueren resigned as the non-executive Directors due to change of work arrangement on 15 January 2025.

Each of the independent non-executive Directors has submitted an annual confirmation letter to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers all the independent non-executive Directors to be independent.

All the Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association").

In accordance with Article 92 of the Articles of Association, Mr. YANG Jun, Mr. LI Hongjian, Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing, Ms. XU Jinghui and Mr. HUANG Hao shall hold office only until the first AGM after their appointments and shall then be eligible for re-election.

In accordance with Article 101 of the Articles of Association, Mr. YU Tze Shan Hailson and Mr. QIN Ling shall retire by rotation at the AGM and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election at the AGM has an unexpired employment agreement or appointment letter which is not determinable by the Company and any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the existing Directors and senior management as at the date of this report are set out on pages 73 to 79 of this report.

EXECUTIVE DIRECTORS' EMPLOYMENT AGREEMENTS

Mr. YANG Jun entered into an employment agreement with the Company with effect from 27 September 2024, which shall automatically be effective thereafter until terminated by either party by giving one month's prior notice.

Mr. LI Hongjian entered into an employment agreement with the Company with effect from 27 September 2024, which shall automatically be effective thereafter until terminated by either party by giving one month's prior notice.

NON-EXECUTIVE DIRECTORS' APPOINTMENT LETTERS

Mr. LIU Haijian entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

Mr. LI Xiangrong entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

Mr. ZU Jing entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

Ms. XU Jinghui entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

Mr. HUANG Hao entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

INDEPENDENT NON-EXECUTIVE DIRECTORS' APPOINTMENT LETTERS

Mr. XIE Rong renewed an appointment letter with the Company for a term of three years commencing from 5 February 2025.

Mr. YU Tze Shan Hailson renewed an appointment letter with the Company for a term of three years commencing from 25 November 2022.

Mr. QIN Ling renewed an appointment letter with the Company for a term of three years commencing from 18 February 2025.

Mr. LI Weidong renewed an appointment letter with the Company for a term of three years commencing from 18 February 2025.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

DONATIONS

During the Reporting Period, the charitable and other donations (including amounts in kind) made by the Group amounted to approximately RMB14,436,770.96.

DIRECTORS OF SUBSIDIARIES

A list of names of the directors who held office in the Company's subsidiaries during the year and up to the date of this report is available on the Company's website at www.china-tcm.com.cn.

DIRECTORS' FEES

The emoluments of the executive Directors are determined by the remuneration and evaluation committee of the Company (the "Remuneration and Evaluation Committee") and the emoluments of the non-executive Directors and independent non-executive Directors are recommended by the Remuneration and Evaluation Committee to the Board, having regard to the relevant Director's experience, responsibility and the time devoted to the business of the Group. For the year ended 31 December 2024, the fee for the eligible independent non-executive Directors was fixed at HK$250,000 per annum.

PERMITTED INDEMNITY PROVISION

Article 178 of the Articles of Association provides that every Director or other officer or auditors shall be indemnified out of assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. Such provisions were in force during the year and remained in force as of the date of this report.

Article 179 of the Articles of Association provides that every Director or other officer or auditors shall be entitled to be insured against any liability to the Company, an associated company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or an associated company. The Company has arranged appropriate liability insurance to indemnify its Directors and executive officers in respect of legal actions against the Directors and officers. The amount of coverage is reviewed on an annual basis.

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information after the date of 2024 interim report is as follows:

- Mr. YANG Jun was appointed as an executive Director and the chairman of the Board, with effect from 27 September 2024.

- Mr. LI Hongjian was appointed as an executive Director and president (i.e. the general manager of the Company), with effect from 27 September 2024.

- Mr. LIU Haijian was appointed as a non-executive Director, with effect from 15 January 2025. He was also appointed as a non-executive director of Chongqing Taiji Industry (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600129), with effect from 4 March 2025.

- Mr. LI Xiangrong was appointed as a non-executive Director, with effect from 15 January 2025. He was also appointed as a non-executive director of Chongqing Taiji Industry (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600129), with effect from 4 March 2025.

- Mr. ZU Jing was appointed as a non-executive Director, with effect from 15 January 2025. He was also appointed as a non-executive director of Sinopharm Group Co. Ltd. (a company listed on the Stock Exchange, stock code: 01099), with effect from 12 February 2025.

- Ms. XU Jinghui was appointed as a non-executive Director, with effect from 15 January 2025.

- Mr. HUANG Hao was appointed as a non-executive Director, with effect from 15 January 2025.

- Mr. CHEN Yinglong resigned as an executive Director, the chairman of the Board and the chairman of the nomination committee and strategic committee of the Board, with effect from 27 September 2024.

- Mr. YANG Binghua, Mr. WANG Kan, Mr. MENG Qingxin, Ms. LI Ru, Mr. YANG Wenming and Mr. CHENG Xueren resigned as non-executive Directors, with effect from 15 January 2025.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests

As at 31 December 2024, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests

As at 31 December 2024, the interests and short positions of the shareholders, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Substantial Shareholders	Capacity	Number of Ordinary Shares	Approximate Percentage of Total Interests to Issued Shares
Sinopharm Hongkong	Beneficial owner	1,634,705,642 (long position) *(Note 1)*	32.46%
CNPGC	Interest of controlled corporations	1,634,705,642 (long position) *(Note 1)*	32.46%
Ping An Life	Beneficial owner	604,296,222 (long position) *(Note 2)*	12.00%
Ping An Group	Interest of controlled corporations	604,296,222 (long position) *(Note 2)*	12.00%

Notes:

1. The 1,634,705,642 shares are held by Sinopharm Group Hongkong Co., Limited ("Sinopharm Hongkong"), which is indirectly wholly owned by China National Pharmaceutical Group Corporation ("CNPGC").

2. The 604,296,222 shares are held by Ping An Life Insurance Company of China, Ltd. ("Ping An Life") which is a subsidiary of Ping An (Group) Company of China, Ltd. ("Ping An Group"). Ping An Group is deemed to be interested in Ping An Life's interest in the Company under the SFO.

Save as disclosed above, the register which was required to be kept by the Comapny under section 336 of the SFO showed that the Company had not been notified of any interests or short positions of the Shareholders (other than a Director or chief executive officer of the Company) in the shares and underlying shares of the Company as at 31 December 2024.

CONTINUING CONNECTED TRANSACTIONS

Factoring Services Framework Agreement with Sinopharm Puxin Commercial Factoring Company Limited ("Sinopharm Puxin")

On 27 December 2023, Shandong Yifang Pharmaceutical Co., Ltd. and its subsidiary ("Shandong Yifang") entered into the factoring services framework agreement (the "Factoring Services Framework Agreement") with Sinopharm Puxin, pursuant to which Sinopharm Puxin agreed to provide commercial factoring services to Shandong Yifang during the period from 27 December 2023 to 26 December 2024.

The Board advised the agreement cap of the Factoring Services Framework Agreement and the transactions contemplated thereunder is RMB50,000,000. The agreement cap of the Factoring Services Framework Agreement and the transactions contemplated thereunder is determined with reference to the forecast of the financing needs of Shandong Yifang in terms of obtaining commercial factoring services from Sinopharm Puxin combined with its average daily factoring scale from 2023 to 2024. At the same time, a portion of buffer has been reserved from a prudent perspective after taking into account fluctuations in the price of capital in the future and small fluctuations in the business volume of Shandong Yifang.

As at the date of this report, CNPGC is the controlling shareholder, indirectly holding 1,634,705,642 shares of the Company, representing approximately 32.46% of the total number of issued shares of the Company, and the Group holds 87.30% equity of Shandong Yifang and Sinopharm Puxin is a wholly-owned subsidiary of CNPGC. As such, Sinopharm Puxin is a connected person of the Company and the Factoring Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The execution of the Factoring Services Framework Agreement would enable Shandong Yifang to expand the diversified financing channels and optimise its financial structure, and its efficiency of capital usage would also be improved.

As far as the Directors are aware, Sinopharm Puxin has established stringent internal control measures to ensure effective risk management and compliance with relevant laws and regulations of the PRC. Meanwhile, the Group also adopts reasonable internal control procedures and corporate governance measures in relation to its utilisation of the commercial factoring services provided by Sinopharm Puxin to Shandong Yifang.

For further details of the Factoring Services Framework Agreement, please refer to the announcement of the Company dated 27 December 2023.

During the period from 1 January 2024 to 26 December 2024, Shandong Yifang did not receive any factoring services provided by Sinopharm Puxin, therefore there was no actual amount of factoring services.

Master Purchase Agreement and Master Supply Agreement with CNPGC (2023-2025)

On 11 November 2022, the Company and CNPGC entered into master agreements (the "Master Agreements") to govern the terms of the purchases and the sales and to set the annual caps for the three years ended/ending 31 December 2023, 2024 and 2025.

Pursuant to the master purchase agreement (the "Master Purchase Agreement"), the Group conditionally agreed to purchase TCM and chemical materials (the "Materials") to be supplied by the CNPGC and its subsidiaries (the "CNPGC Group") during the period from 1 January 2023 to 31 December 2025. The value of the purchases shall not exceed the annual caps of RMB300 million, RMB450 million and RMB675 million for each of the three years ended/ending 31 December 2023, 2024 and 2025 respectively.

Pursuant to the master supply agreement (the "Master Supply Agreement"), the Group conditionally agreed to sell the pharmaceutical products (the "Products") to the CNPGC Group during the period from 1 January 2023 to 31 December 2025. The value of the sales shall not exceed the annual caps of RMB1,750 million, RMB2,100 million and RMB2,500 million for each of the three years ended/ending 31 December 2023, 2024 and 2025 respectively.

The principal business activities of the Group are the manufacture and sales of TCM and pharmaceutical products in the PRC with a focus on concentrated TCM granules, TCM finished drugs and TCM decoction pieces.

As at the date of this report, CNPGC is the controlling shareholder, indirectly holding 1,634,705,642 shares, representing approximately 32.46% of the total number of issued shares of the Company. As such, CNPGC is a connected person of the Company. The Master Purchase Agreement and the Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Master Agreements were entered into for the purpose of enabling the Group to continue the business relationship with the CNPGC Group in compliance with the Listing Rules as well as to capture the business opportunities that may be brought about by the CNPGC Group to the Group. CNPGC is the only life- and health-oriented central enterprise directly under the State-owned Assets Supervision and Administration Commission of the State Council, with a whole healthcare industry chain covering research and development, manufacturing, logistics and distribution, retail chains, healthcare, engineering services, etc. Members of the CNPGC Group have been the suppliers of the Materials and customers of the Products since 1998. The CNPGC Group is a reliable business partner of the Group which has a strong supply capacity and a well-established distribution network. The Master Purchase Agreement enables the Group to source stable and quality supply of the Materials, while the Master Supply Agreement enables the Group to tap into a larger market and approach a much wider clientele base with the support of the extensive sales and distribution network of the CNPGC Group in the PRC. As CNPGC Group is one of the largest pharmaceutical companies in the PRC and has comparatively strong planting resources as well as advanced processing technologies, the Directors considered that the partnership with the CNPGC Group can secure the distribution of the Products to hospitals and retail pharmacies in the PRC via the CNPGC Group as the Group's distributor.

For details of the Master Agreements, please refer to the Company's announcements dated 11 November 2022 and 20 December 2022 and the Company's circular dated 15 December 2022. The Master Supply Agreement and the respective annual caps were approved by the Company's independent shareholders at the extraordinary general meeting of the Company held on 4 January 2023.

During the year ended 31 December 2024, the actual purchases of the Materials by the Group from CNPGC Group amounted to RMB119,267,000 (excluding value added tax) which was below the annual cap of RMB450,000,000 for the year ended 31 December 2024.

During the year ended 31 December 2024, the actual sales of the Products by the Group to CNPGC Group amounted to RMB1,298,907,000 (excluding value added tax) which was below the annual cap of RMB2,100,000,000 for the year ended 31 December 2024.

Financial Services Framework Agreement with Sinopharm Group Finance Co., Ltd. ("Sinopharm Group Finance") (2022 – 2025)

On 18 November 2022, the Company entered into the Financial Services Framework Agreement (the "Financial Services Framework Agreement") with Sinopharm Group Finance, pursuant to which Sinopharm Group Finance agreed to provide the financial services to the Group during the period from 20 November 2022 to 19 November 2025.

Pursuant to the Financial Services Framework Agreement, the annual caps for the deposit services (i.e. the maximum daily deposit balance, including accrued interest) during the effective period of the Financial Services Framework Agreement, the maximum daily outstanding deposit balance is RMB600 million.

As at the date of this report, CNPGC is the controlling shareholder, indirectly holding 1,634,705,642 shares, representing approximately 32.46% of the total number of issued shares of the Company. Sinopharm Group Finance is owned as to approximately 58.2%, 9.1%, 10.9%, 10.9% and 10.9% by CNPGC, Sinopharm Group Co. Ltd., China National Biotech Group Company Limited, China National Traditional Chinese Medicine Co., Limited and Shanghai Shyndec Pharmaceutical Co., Ltd., respectively, and CNPGC is the parent company of Sinopharm Group Finance. As such, Sinopharm Group Finance is a connected person of the Company and the Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Board considers that entering into the Financial Services Framework Agreement is in the interest of the Group as it provides an option to the Group in procuring financial services for its treasury management. Given the Group's close relationship with the CNPGC Group, the application procedures for financial services from Sinopharm Group Finance (being a subsidiary of CNPGC) are more efficient, convenient and flexible than those of the independent commercial banks. In addition, according to the Financial Services Framework Agreement, the terms of financial services offered by Sinopharm Group Finance will be no less favourable than those offered by the independent commercial banks to the Group.

For further details of the Financial Services Framework Agreement, please refer to the announcement of the Company dated 18 November 2022.

During the year ended 31 December 2024, the maximum daily deposit balance by the Group in Sinopharm Group Finance amounted to RMB586,714,000 which was below the annual cap for the maximum daily deposit balance of RMB600 million for the year ended 31 December 2024.

Research and Development Agreements with SIPI and SPERC

On 23 December 2013 and 5 March 2014, Guangdong Medi-World, an indirect wholly-owned subsidiary of the Company, entered into research and development agreements (the "R&D Agreements") with Shanghai Institute of Pharmaceutical Industry ("SIPI") and Shanghai Pharmaceutical Engineering Research Centre Co., Ltd. (上海現代藥物製劑工程研究中心有限公司 or "SPERC") respectively in relation to the engagement by Guangdong Medi-World of SIPI and SPERC for the provision to Guangdong Medi-World of the research and development of certain drugs. The aggregate maximum research and development fee payable by Guangdong Medi-World pursuant to the R&D Agreements amounts to approximately RMB136,270,000.

Both SIPI and SPERC are subordinated unit/company of China State Institute of Pharmaceutical Industry ("CSIPI"), which is a subsidiary of CNPGC. CNPGC wholly owned Sinopharm Hongkong, a controlling shareholder of the Company. Therefore, each of SIPI and SPERC is a connected person of the Company under the Listing Rules and the transactions contemplated under the R&D Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

SIPI is principally engaged in the research of organic synthesized pharmaceuticals, microbiological and biochemical pharmaceuticals, biotechnological drugs, traditional Chinese medicines and novel preparations, pharmaceutical preparations, and new drug delivery systems.

SPERC is principally engaged in the development, consultancy, service and transfer of applied technology on traditional Chinese medicine, chemical drug, healthcare product and medicinal materials, design, analysis and sale of pharmaceutical equipment, research of technical test on medicinal material and packaging material.

The Group is committed to product innovation and has dedicated resources to the research and development on new drugs in order to stay competitive in the industry and capitalise on the growth opportunities of the Chinese medicine market brought about by the recent reforms in the pharmaceutical industry in the PRC. With the expertise and technical know-how of SIPI and SPERC, the collaboration under the R&D Agreements is expected to enrich the product mix of the Group with new products and benefit the Group in terms of sustainable development.

For details of the R&D Agreements, please refer to the announcements of the Company dated 23 December 2013 and 5 March 2014.

During the year ended 31 December 2024, there was no actual research and development fee payable by the Group to SIPI and SPERC. The sum of such fees payable by the Group to SIPI and SPERC during 2014 to 2024 amounted to RMB21,780,000 (including value added tax), which was below the contract amount of RMB136,270,000 under the R&D Agreements.

Review by the Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions of the Group and have confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

During the year ended 31 December 2024, the Group entered into certain transactions with related parties as defined in accordance with applicable accounting standards, and details of which are set out in note 40 to the consolidated financial statements. Such related party transactions include the transactions as disclosed in the "CONTINUING CONNECTED TRANSACTIONS" of this section. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of Listing Rules.

Review by the Auditor

For the propose to Rule 14A.56 of the Listing Rules, the auditor of the Company has provided a letter to the Board, confirmed that nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with relevant agreements governing the transactions; and

(iv) have exceeded the annual caps.

The Company has received a copy of the auditor's letter.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DEBENTURES ISSUED

During the year ended 31 December 2024, no debenture was issued by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, or were there any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or his connected entity had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Save as disclosed in "CONTINUING CONNECTED TRANSACTIONS" of this section, none of the Company or any of its subsidiaries entered into contract of significance with the controlling shareholder or any of its subsidiaries other than the Group, nor was there any contract of significance between the Group and the controlling shareholder or any of its subsidiaries other than the Group in relation to provision of services.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the largest customer and the five largest customers of the Group accounted for around 7.9% and 12.3% of the Group's total revenue during the year. The revenue attributable to CNPGC Group accounted for around 7.9% of the Group's total revenue during the year.

The purchases from the Group's largest supplier and the five largest suppliers accounted for around 2.1% and 8.8% of the Group's total purchases during the year. The purchases from CNPGC Group accounted for around 2.1% of the Group's total purchases during the year.

Save as disclosed above, at any time during the year, none of the Directors, their close associates, or any shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in the Group's five largest suppliers and customers.

RETIREMENT SCHEME

Details of the employees' retirement schemes of the Group are set out in note 35 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2024 have been audited by Ernst & Young. The auditor of the Company has not changed in the past three years.

AUDIT COMMITTEE

The Group's final results and audited financial statements for the year ended 31 December 2024 have been reviewed by the audit committee of the Company (the "Audit Committee"). Information relating to the terms of reference of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 60 to 61 of this report.

CORPORATE GOVERNANCE

The Company is dedicated to maintaining a high standard of corporate governance. Information regarding the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 51 to 72 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float as not less than 25% of the Company's issued shares are held by the public.

By Order of the Board

YANG Jun
Chairman

Hong Kong, 25 March 2025

The Board believes that corporate governance is essential to safeguard the interests of the shareholders and enhance the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. Save as disclosed in this report, the Company has applied the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Listing Rules as its corporate governance practices and complied with all applicable code provisions during the year ended 31 December 2024.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

CORPORATE CULTURE

The Group has built a corporate culture system that matches its development. Details for the Group's corporate culture are set out in the section headed "ABOUT CHINA TCM" of the "2024 Environmental, Social and Governance Report".

BOARD COMPOSITION AND BOARD PRACTICES

Composition and Role

There are no relationships between members of the Board, in terms of financial, business, family or other significant relationship and the Board comprises the following Directors during the year and up to the date of this report:

Executive Directors:	
Mr. YANG Jun	*Chairman (appointed on 27 September 2024)*
Mr. LI Hongjian	*(appointed on 27 September 2024)*
Mr. CHEN Yinglong	*Former Chairman (resigned on 27 September 2024)*
Non-executive Directors:	
Mr. LIU Haijian	*(appointed on 15 January 2025)*
Mr. LI Xiangrong	*(appointed on 15 January 2025)*
Mr. ZU Jing	*(appointed on 15 January 2025)*
Ms. XU Jinghui	*(appointed on 15 January 2025)*
Mr. HUANG Hao	*(appointed on 15 January 2025)*
Mr. YANG Binghua	*(resigned on 15 January 2025)*
Mr. WANG Kan	*(resigned on 15 January 2025)*
Mr. MENG Qingxin	*(resigned on 15 January 2025)*
Ms. LI Ru	*(resigned on 15 January 2025)*
Mr. YANG Wenming	*(re-designated as a non-executive Director from an executive Director on 21 March 2024, and resigned on 15 January 2025)*
Mr. CHENG Xueren	*(re-designated as a non-executive Director from an executive Director and the managing Director on 21 March 2024, and resigned on 15 January 2025)*
Independent Non-executive Directors:	
Mr. XIE Rong	
Mr. YU Tze Shan Hailson	
Mr. QIN Ling	
Mr. LI Weidong	

As at the date of this report, the Board comprises eleven Directors, including two executive Directors, five non-executive Directors and four independent non-executive Directors. The existing Directors have a mix of core competence and experiences in areas such as pharmaceutical, financing, accounting, law, management and marketing strategies. With a wide range of expertise and a balance of skills, the independent non-executive Directors bring independent judgment on issues of strategic direction, development, execution and risk management through their contribution at Board meetings and the relevant committee works. The Company has complied with the requirements of appointing at least three independent non-executive directors in accordance with the requirements of Rules 3.10 (1) and (2) of the Listing Rules and one of the independent non-executive Directors, Mr. XIE Rong, also has the appropriate professional accounting qualification and financial management expertise. In addition, the Company has complied with Rule 3.10A of the Listing Rules, that is, the independent non-executive directors appointed must account for at least one third of the number of members of the Board. Each of the independent non-executive Directors has provided an annual confirmation letter on his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are in compliance with the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent under the terms of such guidelines.

The Directors are aware of any potential conflicts of interest that may arise on their part in relation to the Group's business. In case of such conflict of interest arises, the Director concerned would declare his/her interest to the Board, and abstain from voting on the issues or matters to be resolved. The role of Chairman and the managing Director is separate which ensures that there is a balance of power and authority. The responsibilities of both are set out in the section headed "RESPONSIBILITY OF THE BOARD" in this Corporate Governance Report.

The Board has put in place mechanisms to ensure independent views and inputs from Directors are available to the Board. The Chairman holds meetings annually with the independent non-executive Directors without the presence of other Directors to encourage them to voice out their independent views and promote an open and constructive dialogue. During the year, the Chairman had one meeting with the independent non-executive Directors to discuss matters relating to the Group and its operations.

The Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company when necessary. New Directors are offered a comprehensive, formal and tailored induction upon appointment. The Company has also arranged appropriate Directors and officer's liability insurance to indemnify their liabilities arising out of the corporate activities. The insurance coverage is reviewed on an annual basis.

The Board schedules four meetings a year at quarterly intervals. Other Board meetings are convened when necessary. Joint company secretaries of the Company assist the Chairman in setting the agenda of the Board meetings and Directors are invited to present any issue at such meetings. Notices of all regular Board meetings are issued at least 14 days before the meetings. The agenda and the accompanying meeting papers are sent to the Directors within a reasonable time before the meetings. Drafts and final versions of the Board minutes are provided to the Directors for their comments and record within a reasonable time. Minutes of the Board meetings are open for inspection by Directors.

The Board is charged with providing effective and responsible leaderships for the Company. Matters subject to the Board's review and approval include:

- issue and buy back of shares of the Company;
- setting the Group's overall objectives and strategies;
- approval of annual budgets and business plans;
- evaluating and monitoring operating and financial performance;
- reviewing and monitoring internal control and risk management;
- approval of announcements of financial results;
- declaration and recommendation of the payment of dividend;
- appointment of new Directors; and
- appointment and dismissal of senior management of the Company.

The Board delegates the authority and responsibility for implementation of the day-to-day operations, business strategies and management of the Group's businesses to the executive Directors and senior management, and certain specific responsibilities to the special committees under the Board.

Details of the Directors' remuneration and the five individuals with the highest emoluments as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 12 and 13 to the consolidated financial statements.

The remuneration of the members of the senior management, other than Directors, by band for the year ended 31 December 2024 is set out below:

Remuneration Band (RMB'000)	Number of persons
801-1,200	1
1,201-1,600	2
1,601-2,000	1

During the year ended 31 December 2024, the Company convened four regular Board meetings, two other Board meetings, and the 2024 AGM. The following table shows the details of attendance of the then Directors:

	Attendance/Number of Meetings		
Directors	**Regular Board Meetings**	**Other Board Meetings**	**2024 AGM**
Executive Directors:			
Mr. YANG Jun *(Chairman)* *(appointed on 27 September 2024)*	1/1	0/0	0/0
Mr. LI Hongjian *(appointed on 27 September 2024)*	1/1	0/0	0/0
Mr. CHEN Yinglong *(Former Chairman)* *(resigned on 27 September 2024)*	3/3	2/2	1/1
Non-executive Directors:			
Mr. YANG Binghua *(resigned on 15 January 2025)*	4/4	1/2	0/1
Mr. WANG Kan *(resigned on 15 January 2025)*	4/4	2/2	0/1
Mr. MENG Qingxin *(resigned on 15 January 2025)*	3/4	2/2	0/1
Ms. LI Ru *(resigned on 15 January 2025)*	4/4	2/2	0/1
Mr. YANG Wenming *(resigned on 15 January 2025)*	4/4	2/2	0/1
Mr. CHENG Xueren *(resigned on 15 January 2025)*	4/4	2/2	1/1
Independent Non-executive Directors:			
Mr. XIE Rong	4/4	2/2	1/1
Mr. YU Tze Shan Hailson	4/4	2/2	1/1
Mr. QIN Ling	4/4	2/2	1/1
Mr. LI Weidong	4/4	2/2	1/1

RESPONSIBILITY OF THE BOARD

As the core of the Company's corporate governance framework, the Board's fundamental responsibility is to exercise its best judgment and to act in the best interests of the Company and its shareholders. The Board is committed to complying with corporate governance standards and adopting effective corporate governance practices to meet legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policies, overall strategies, risk management and internal control systems, and monitoring of the performance of management team.

The Board has delegated certain functions and powers, such as its responsibilities of day-to-day business and operation, to the Chairman of the Board, managing Director and the special committees under the Board (hereinafter collectively referred to as the "authorized person"). The Board keeps abreast of the decision-making and implementation of authorized matters on a regular basis, carries out the implementation effect assessment of authorized matters in a timely manner, and implements dynamic management towards such matters. The authorized person shall report to the Board on a regular basis, conduct collective research and discussion on the authorized matters in accordance with relevant internal systems, obtain the approval from the Board before making a decision or entering into a commitment on behalf of the Group, and maintain communication with the Board when necessary.

The Company has separated the roles of Chairman of the Board and managing Director. The Chairman of the Board is responsible for leading the Board, ensuring the receipt of sufficient, complete and reliable information by each Director and the receipt of reasonable explanations for all the issues raised in the Board meetings so as to guarantee the effective operation of the Board. The managing Director is responsible for managing the business of the Company, implementing policies, business objectives and plans formulated by the Board, undertaking the powers delegated to him by the Board from time to time, and being accountable to the Board for the Company's overall operation.

On 21 March 2024, Mr. CHENG Xueren resigned as the president of the Company (i.e. the general manager) as reaching the retirement age, and was re-designated from an executive Director and the managing Director to a non-executive Director. On the same day, the Board also resolved to appoint Mr. CHEN Yinglong, the Chairman of the Board, as the acting president (i.e. the general manager).

On 27 September 2024, Mr. CHEN Yinglong resigned as an executive Director and chairman of the Board and ceased to be the acting president (i.e. the general manager) due to change of work arrangement. On the same day, the Board also resolved to elect Mr. YANG Jun as an executive Director and chairman of the Board, and appoint Mr. LI Hongjian as an executive Director and the president (i.e. the general manager).

The Board has established the Audit Committee, the Remuneration and Evaluation Committee, the nomination committee (the "Nomination Committee") and the strategic committee (the "Strategic Committee"). Please see below for the composition and responsibilities of each special committee. Each committee shall provide its recommendations to the Board based on its respective terms of reference. The decisions of the Board on such recommendations shall be final, unless otherwise clearly stated in the terms of reference of these committees.

During the Reporting Period, the Board made a lot of efforts in improving the corporate governance system of the Company and enhancing the corporate governance standards, including amending relevant internal management rules in accordance with the requirements of relevant laws, regulations and regulatory rules (as amended from time to time), as well as the actual situation of the Company; monitoring and organizing the Directors and company secretary of the Company to participate in relevant training courses; regularly reviewing the Company's compliance with the domestic and overseas regulatory requirements and its implementation of various internal corporate governance rules and policies, and reviewing the Company's compliance with the Code and the disclosures in the Corporate Governance Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors. All Directors (including the non-executive Directors) are appointed for a specific term and subject to retirement by rotation and re-election once every three years in accordance with the Articles of Association.

According to "Core Shareholder Protection Standards" set out in Appendix A1 to the Listing Rules and the Articles of Association, any person appointed as a Director by the Board, either to fill a casual vacancy or as an addition to the Board, shall hold office only until the first annual general meeting of the Company after his appointment, and shall then be eligible for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors receive comprehensive, formal and tailored induction on appointment, so as to ensure understanding of the business and operations of the Group and Directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are continually updated on developments in the statutory and regulatory regime, and the business and market changes to facilitate the discharge of their responsibilities and obligations under the Listing Rules and relevant statutory requirements. Continuing briefings and professional development for Directors will also be arranged as necessary.

The training attended by the then Directors during the Reporting Period is summarized as follows:

Directors	Training Types
Executive Directors:	
Mr. YANG Jun *(Chairman) (appointed on 27 September 2024)*	B
Mr. LI Hongjian *(appointed on 27 September 2024)*	B
Mr. CHEN Yinglong *(Former Chairman) (resigned on 27 September 2024)*	A
Non-executive Directors:	
Mr. YANG Binghua *(resigned on 15 January 2025)*	A
Mr. WANG Kan *(resigned on 15 January 2025)*	A
Mr. MENG Qingxin *(resigned on 15 January 2025)*	A
Ms. LI Ru *(resigned on 15 January 2025)*	A
Mr. YANG Wenming *(resigned on 15 January 2025)*	A
Mr. CHENG Xueren *(resigned on 15 January 2025)*	
Independent Non-executive Directors:	
Mr. XIE Rong	A
Mr. YU Tze Shan Hailson	A
Mr. QIN Lin	A
Mr. LI Weidong	A

A: Attending training related to corporation privatisation procedure and director's responsibilities.

B: Attending pre-tenure director training related to compliance affairs of listed company.

Mr. YANG Jun and Mr. LI Hongjian, who have been appointed as executive Directors on 27 September 2024, and Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing, Ms. XU Jinghui and Mr. HUANG Hao, who have been appointed as non-executive Directors on 15 January 2025, have obtained the legal advice under Rule 3.09D of the Listing Rules from the Company's legal advisor on 27 September 2024 and 15 January 2025, respectively, and have each confirmed that he/she understood his/her obligations as a Director.

NOMINATION COMMITTEE

The Board established the Nomination Committee in 2012. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least annually, identify individuals suitably qualified to become members of the Board, assess the independence of independent non-executive Directors, develop and formulate the relevant procedures for nomination and appointment of Directors. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

As at the date of this report, the Nomination Committee comprises of two executive Directors, one non-executive Director and four independent non-executive Directors. During the year, two Nomination Committee meetings were held and the following topics were reviewed and discussed: 1) the structure of the Board and its committees and other senior management, and the diversity of the composition; 2) the independence of the independent non-executive Directors; 3) time committed by non-executive Directors to the Company in the performance of their duties; 4) list of Directors to be retiring by rotation in the 2024 AGM; and 5) the changes of executive Directors and special committees under the Board.

During the year, two Nomination Committee meetings were held and the abovementioned responsibilities were fulfilled. The individual attendance of each member is set out below:

Members of the Nomination Committee	**Attendance/ Number of Meetings**
Executive Directors:	
Mr. YANG Jun *(Chairman) (appointed on 27 September 2024)*	1/1
Mr. LI Hongjian *(appointed on 27 September 2024)*	1/1
Mr. CHEN Yinglong *(Former Chairman) (resigned on 27 September 2024)*	1/1
Non-executive Directors:	
Mr. YANG Binghua *(resigned on 15 January 2025)*	0/0
Mr. YANG Wenming *(resigned on 15 January 2025)*	2/2
Mr. CHENG Xueren *(resigned on 15 January 2025)*	2/2
Independent Non-executive Directors:	
Mr. XIE Rong	2/2
Mr. YU Tze Shan Hailson	2/2
Mr. QIN Ling	2/2
Mr. LI Weidong	2/2

NOMINATION POLICY

The Nomination Committee has formulated a nomination policy (the "Nomination Policy"). The Nomination Policy aims to ensure that the Nomination Committee will identify and nominate suitable candidates based on merit and a range of diversity criteria, including their professional experience, business perspective, skills, cultural and educational background, age and length of service. The Company has formulated:

– the procedure for selection, appointment and re-appointment of Directors which have been formally and carefully considered;

– the procedure for making recommendations to the shareholders on electing or re-electing any Directors at a general meeting; and

– the nomination criteria and nomination procedure for the shareholders to nominate new Directors.

The Nomination Committee reviews and monitors the structure, size and composition of the Board in terms of skills, knowledge, experience and diversity annually and makes recommendations on any proposed changes to the Board to complement the Company's strategies.

BOARD DIVERSITY POLICY

The Board adopted the board diversity policy in August 2013. The policy sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

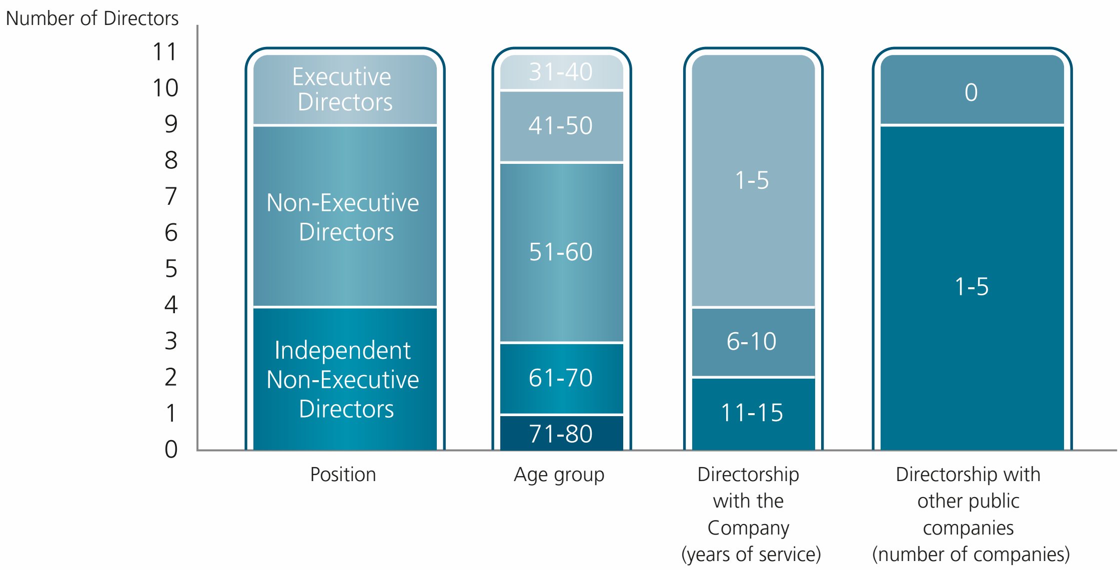
The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board developed measurable objectives to implement the board diversity policy, where selection of candidates will be based on a range of diversity perspectives as set out above, and the ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

Currently the Board has one female non-executive Director. The Board will continue to embrace gender diversity when making future Board appointments but no specific targets or timelines to further enhance gender diversity have been set as it is of the view that all aspects of diversity should be considered as a whole in the selection of suitable candidates for appointment to the Board.

The same approach to gender diversity at the Board level also applies to the Group's employees. The gender ratio in the Group's employees for the year ended 31 December 2024 is set out in the section headed "Protection of Rights and Interests" in the "2024 Environmental, Social and Governance (ESG) Report".

An analysis of the composition of the current Board based on a range of diversity perspectives is set out below:



AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises of one non-executive Director and four independent non-executive Directors, which complies with the requirements under Rule 3.21 of the Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Major roles and functions of the Audit Committee include:

– reviewing financial information of the Group;

– overseeing the Group's financial reporting system, internal control procedures and reviewing risk management system; and

– reviewing the appointment of the external auditor including a review on the scope of audit and approval of audit fees.

During the year, five Committee meetings were held and the abovementioned responsibilities were fulfilled. The individual attendance of each member is set out below:

Members of the Audit Committee	**Attendance/ Number of Meetings**
Independent Non-executive Directors:	
Mr. XIE Rong *(Chairman)*	5/5
Mr. YU Tze Shan Hailson	5/5
Mr. QIN Ling	5/5
Mr. LI Weidong	5/5

During the year, the Audit Committee reviewed the final results and the audited consolidated financial statements of the Group for the year ended 31 December 2023 and the interim results and the interim report of the Group for the six months ended 30 June 2024, as well as the effectiveness of the internal control and risk management system of the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting department, and their training programmes and budget.

REMUNERATION AND EVALUATION COMMITTEE

As at the date of this report, the Remuneration and Evaluation Committee comprises of four independent non-executive Directors. The terms of reference of the Remuneration and Evaluation Committee are available on the websites of the Company and the Stock Exchange. The main roles and functions of the Remuneration and Evaluation Committee are as follows:

(a) making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management;

(d) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(e) reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(f) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(g) making recommendations to the Board on the remuneration of non-executive Directors. The Company has adopted the model whereby the Remuneration and Evaluation Committee is delegated the responsibility to determine the remuneration packages of individual executive Directors and senior management.

In determining the emolument payable to the Directors, the Remuneration and Evaluation Committee takes into account factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. It also reviews and approves the management's remuneration proposals based on the corporate policies and goals set by the Board, reviews and evaluates the performance of executive Directors during the relevant financial year to determine the amount of bonus payment (if any), and the emoluments of the non-executive Directors and the independent non-executive Directors are recommended by Remuneration and Evaluation Committee to the Board to ensure that no Director and any of his associates shall be involved in determining his own remuneration.

The principal objectives of the Company's remuneration policy include:

– providing an equitable and competitive package so as to attract and retain the best available human resources to serve corporate needs;

– providing basic remuneration to the employees that is competitive to the industry and general market condition;

– awarding employees in recognition of good individual and corporate performance; and

– encouraging future employee contributions to achieve overall corporate goals.

During the year, two Remuneration and Evaluation Committee meeting were held and the abovementioned responsibilities were fulfilled. The individual attendance of each member is set out below:

Members of the Remuneration and Evaluation Committee	Attendance/ Number of Meetings
Independent Non-executive Directors:	
Mr. QIN Ling *(Chairman)*	2/2
Mr. XIE Rong	2/2
Mr. YU Tze Shan Hailson	2/2
Mr. LI Weidong	2/2

During the year, the Remuneration and Evaluation Committee determined the remuneration packages of all executive Directors and senior management and made recommendation to the Board of the remuneration of the non-executive Directors and independent non-executive Directors.

STRATEGIC COMMITTEE

The Board set up the Strategic Committee in January 2014. As at the date of this report, the Strategic Committee comprises of two executive Directors, two non-executive Directors and two independent non-executive Directors including Mr. YANG Jun, Mr. LI Hongjian, Mr. LI Xiangrong, Mr. ZU Jing, Mr. YU Tze Shan Hailson and Mr. QIN Ling. Mr. YANG Jun was appointed as the chairman.

The Strategic Committee is a specific working body set up by the Board. Its main responsibilities are to conduct researches and submit proposals to the Board in respect of medium-to-long term development strategies, material investment decisions, ESG of the Group. The Board considers that the proposals submitted by the Strategic Committee will strengthen the core competitiveness of the Group, determine its development plans as well as improve its procedures of making investment decisions, so as to enhance the effectiveness and quality of material investment decisions and perfect its corporate governance structure.

During the year, one Strategic Committee meeting was held and the abovementioned responsibilities were fulfilled. The individual attendance of each member is set out below:

Members of the Strategic Committee	**Attendance/ Number of Meeting**
Executive Directors:	
Mr. YANG Jun *(Chairman) (appointed on 27 September 2024)*	0/0
Mr. LI Hongjian *(appointed on 27 September 2024)*	0/0
Mr. CHEN Yinglong *(Former Chairman) (resigned on 27 September 2024)*	1/1
Non-executive Directors:	
Mr. YANG Wenming *(resigned on 15 January 2025)*	1/1
Mr. CHENG Xueren *(resigned on 15 January 2025)*	1/1
Independent Non-executive Directors:	
Mr. YU Tze Shan Hailson	1/1
Mr. QIN Ling	1/1

During the year, the Strategic Committee reviewed the "14th Five-Year Plan (mid-term amendment)" of the Group and "2023 Environmental, Social and Governance Report" and made the detailed recommendations.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2024, the Group has been complying with applicable laws and regulations applicable to the Group, including "Pharmaceutical Administration Law of the People's Republic of China" and its implementation regulations, "Regulations of the People's Republic of China on Traditional Chinese Medicine", "Regulations on Protection of Traditional Chinese Medicine", "Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers", "Law of the People's Republic of China on Traditional Chinese Medicine", "Trademark Law of the People's Republic of China", "Patent Law of the People's Republic of China" and its implementation regulations, "Environmental Protection Law of the People's Republic of China" and "Labor Contract Law of the People's Republic of China". The Group attaches great importance to product safety and conducts multiple quality inspection in the production process to ensure the compliance with the applicable quality regulations promulgated by the relevant authorities. The Group's production subsidiaries have obtained relevant drug production and operation permission.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches high importance to environmental management and has developed a comprehensive environmental management and monitoring system to strictly perform in accordance with relevant laws and regulations governing the amount and standard of emissions. Apart from monitoring its own emission data, the Group has also entrusted third parties to monitor its sewage emission on a quarterly basis and the emission of exhaust gases from boilers every six months. Having established the hazardous waste management system, the transfer of hazardous waste generated from production is recorded and the waste is recycled or disposed of regularly by local qualified professional hazardous waste recycling companies. The storage area of the hazardous waste is monitored, and relevant information filed by the local environmental protection department.

The Group promotes the concept of green production to achieve the goals of saving energy, reducing consumption and alleviating pollution. Striving to improve the environment surrounding the plant, the Group has put much efforts into the improvement of facilities over the years by replacing oil-burning boilers with gas-burning boilers and upgrading the sewage treatment facilities. In addition, through corporate culture education, the Group carries out the resources conservation campaigns and promotes the importance of green living to all staff, encouraging them to join the green living community.

ESG REPORT

The Group has published the "2024 Environmental, Social and Governance Report" in accordance with the "Environmental, Social and Governance Reporting Guide" set out in the Appendix C2 to the Listing Rules.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group values the development and construction for talents and keeps building the platform for the mutual growth of all staff together with the Group through various means. The Group strictly complies with the requirements of "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China" and the Labour Legislation of Hong Kong Special Administrative Region, and abides by the open, fair and just principles while providing employment opportunities, remuneration, leave, benefits, etc. without discriminatory acts towards differences on gender, religion, culture and educational background, etc. All of the labour standards and recruitment procedures are conducted in strict compliance with the relevant labour laws of the PRC to avoid child labour or forced labour.

Moreover, the Group attaches great importance to training of employees. Pre-service trainings including corporate culture and company regulations will be arranged for the new recruit when onboarding. Staff members of different grading are further provided with different training. Besides, the Group provides off-line training course covering marketing, production, human resources, financial management and so on, on a regular basis, to ensure that employees can solve problems encountered in work through trainings and their comprehensive capabilities can be enhanced.

The Group strives to take care of the interests of customers and maintain product safety. All production lines obtained certificates as required by laws and regulations. Regarding the research and development of new drugs, the Group would perform all research and development procedures in compliance with the regulations and requirements of regulatory authorities to ensure the passing of clinical tests and the successful registration of new drugs. Currently, there is 2 innovative drugs and 17 classical formulae at different research and development stages and the Group possesses production approvals for more than 814 drugs.

In addition, the Group maintained good and stable working relationship with the major suppliers of raw materials during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiry, all of the Directors who held their office during the year have confirmed that they had complied with the required standard set out in the Model Code throughout the year. In addition, the Board has adopted the provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in securities of the Company. Such relevant employees who may possess or have access to inside information, have been required to comply with the provisions of the Model Code as well.

FINANCIAL REPORTING

The Board presents a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. Management shall provide such explanations and information to all Directors so as to enable them to make an informed assessment of the financial and other information at Board meetings for approval.

DIRECTORS' AND AUDITORS' RESPONSIBILITY STATEMENTS

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs, results and cash flow of the Group for that period. In preparing the accounts for the year ended 31 December 2024, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis.

The statement about the auditor's reporting responsibilities is set out in the Independent Auditor's Report on pages 80 to 86 of this report.

AUDITORS' REMUNERATION

The fee charged by the Group's external auditors, Ernst & Yong, for statutory audit and non-audit service are set out below:

Services rendered	Fee paid/payable in 2024 RMB'000
Audit service	5,255
Non-audit service *(Note)*	300
Total	5,555

Note: Non-audit service mainly comprised review of the interim report of the Group during the year.

JOINT COMPANY SECRETARIES

Mr. ZHAO Dongji and Ms. NG Sau Mei (a representative of an external service provider) served as the joint company secretaries of the Company during the Reporting Period. The main contact of Ms. NG in the Company is Mr. ZHAO. Both Ms. NG and Mr. ZHAO confirmed that they had taken not less than 15 hours relevant professional training which complied with Rule 3.29 of the Listing Rules during the Reporting Period.

INSIDE INFORMATION DISCLOSURE POLICY

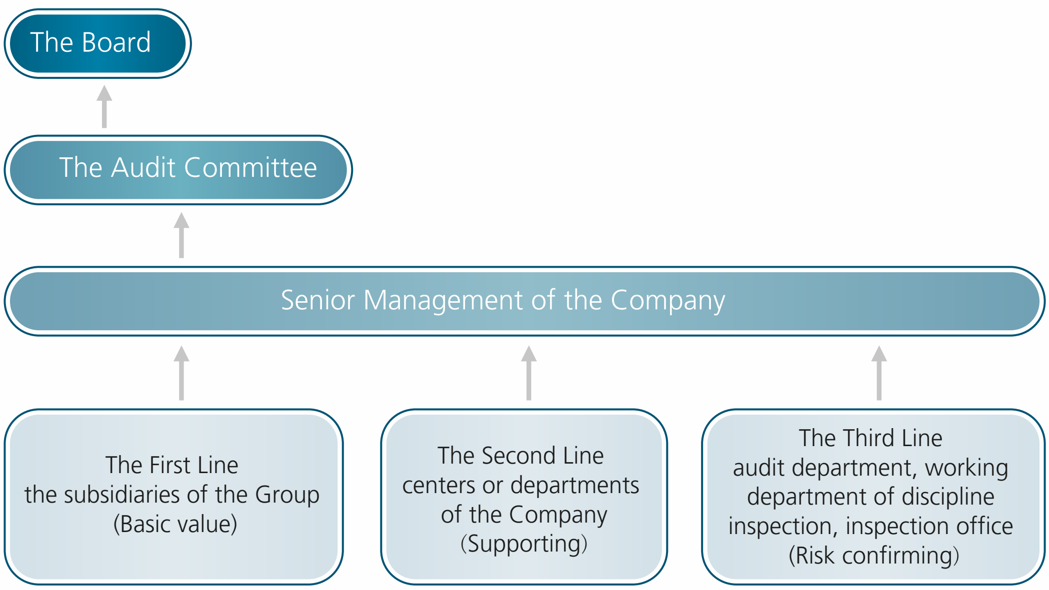
In 2013, the Board adopted an inside information disclosure policy in relation to the procedures and internal controls for handling and disseminating inside information. The Group's inside information disclosure policy sets out guidelines and procedures for Directors, senior management and related personnel to ensure that the Group's inside information is distributed to the public in an equal, accurate, timely and clear manner. The Directors, senior management and related personnel with potential inside information and/or inside information shall take reasonable steps to ensure that appropriate measures are in place to keep the information in strict confidence and that the recipients are aware of their responsibilities for keeping the information in confidence. The inside information must be disclosed in accordance with the Administrative Measures for the Information Disclosure and let all market users obtain the same information at the same time. The inside information will be updated and amended according to the changing circumstances and the changes of the Listing Rules, Part XIVA of the SFO and related statutory and regulatory requirements from time to time.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established a risk management and internal control system in accordance with the requirements of code provision D.2 of the Code and the Board continues to monitor and review, at least on an annual basis, the effectiveness of its operation in order to ensure that the Group has adequate resources, staff qualifications and experience in accounting, internal audit and financial reporting functions, and that the training programmes received by staff and the related budget are adequate. Such system is designed to mitigate the inherent risks faced by the Group in its business to an acceptable level, rather than eliminate all risks. Therefore, this system only provides reasonable, not absolute, assurance against major false statements or financial losses in financial data.

The strategic and operation management department and audit department, both as coordinating unit between the Group and the Audit Committee, report regularly every year to the Audit Committee on the Group's risk management and internal control for the previous reporting period and provides annual work reports for review.

For risk management, the Company's risk management framework takes the following "three lines" model as a guide.



During the Reporting Period, the Company further leveraged the role of "three lines", adhered to the goals of "strengthening internal controls, preventing risks, and promoting compliance" and enhanced horizontal coordination and vertical management while driving the institutional development and deepening of risk management initiatives: 1) The Group continuous strengthened of policy implementation and improvement of institutional framework. The "horizontal-vertical coordination" institutional management system was enhance through optimizing matrix-style management across all subsidiary levels and vertical alignment and horizontal communication between headquarters and subsidiary functional departments. Throughout the year, 849 new policies were formulated while 738 existing ones revised. Supervision on policy implementation was intensified through special projects to identify and assess internal control deficiencies. The Group focused on critical business areas and key processes to ensure well-documented, evidence-based, and effective governance. 2) Critical business-oriented major risks assessment, monitoring and alarming work was launched. Comprehensive risk assessments to identify the top five major risks for the Group was conducted. Headquarters departments urged subsidiaries to actively address risks in corresponding business areas, while subsidiaries developed tailored risk response plans with phased implementation. A "annually analysis + quarterly monitoring" mechanism for major risks was implemented, enabling effective evaluation and timely tracking. 3) Internal control capabilities at key subsidiaries were enhanced and decentralization of internal control systems was advanced. Key subsidiaries, such as Jiangyin Tianjiang, Guangdong Yifang, Tongjitang Pharmaceutical, and Health Industry Company, were empowered to strengthen their pivotal role in bridging upper and lower management levels, thereby improving their vertical coordination capabilities.

During the year, the Company prioritized special initiatives to mitigate risks and enhance major risk management capabilities: 1) Launched mandatory self-assessments of internal controls across all 63 subsidiaries required for evaluation, identifying potential risk points in operational management. Implemented targeted supervision to ensure subsidiaries rectify identified issues, continuously optimizing the internal control system to ensure regulatory compliance; 2) Institutionalized the investigation of liability for non-compliant business investments as a long-term, routine initiative to solidify the foundation for high-quality development. Executed 4 rounds of inspections across all level of subsidiaries, rigorously investigating and addressing 4 cases of non-compliant investment practices; 3) Completed financial and operational accountability audits for 34 subsidiaries, maintaining a 100% coverage rate for such audits over a five-year period.

In terms of internal control, during the Reporting Period, the Company continued to strengthen audit supervision and promote internal management. A total of 597 problems were found during audits, 217 of which should be rectified when due, 217 of which had been completed, and the completion rate of due rectification was 100%. 283 defects were found in the internal control self-evaluation, all of which were general defects, 262 of which should be rectified when due, 262 of which had been completed, and the completion rate of rectification was 100%.

During the Reporting Period, the Company is of the view that the existing risk management internal control systems of the Group are effective and adequate.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

In line with continuous disclosure obligations, the Company is committed to regular and proactive communication with its shareholders and investors. It is the Company's policy that the shareholders and investors be informed of all major developments that have an impact on the Group.

Information is communicated to the shareholders and investors on a timely basis through:

(a) publication of announcements and circulars on the websites of the Stock Exchange and the Company;

(b) publication of financial statements containing a summary of the financial information and affairs of the Group for the interim and full financial year via the websites of the Stock Exchange and the Company;

(c) interim reports, annual reports and circulars that are sent to all shareholders;

(d) notices of and explanatory notes for general meetings;

(e) general meetings; and

(f) meetings with investors and analysts.

The Company also maintains a website at www.china-tcm.com.cn as a communication platform with its shareholders and investors, where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may also contact the Company's Investor Relationship for any inquiries with the contact details set out below:

Email: ir@china-tcm.com.cn
Telephone: (852) 2854 3393, (86) 757 8833 3168
Fax: (852) 2544 1269
Address: Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong

Inquiries are dealt with in an informative and timely manner.

During the year ended 31 December 2024, the Board has reviewed the effectiveness of the shareholders' communication policy and considered it to be effective and adequate.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision A.2.1 of the Code, including:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

ARTICLES OF ASSOCIATION

During the year, there were no changes in the Articles of Association.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Pursuant to the Listing Rules, any resolution put forward at shareholders' meetings will be voted by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on a show of hands and the poll results will be posted on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.china-tcm.com.cn after the relevant general meetings.

CONVENING OF GENERAL MEETING ON REQUEST

In accordance with section 566 of the Companies Ordinance, the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting, and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may be sent to the Company in hard copy form (by depositing at the registered office of the Company at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong for the attention of the Board) or in electronic form (by email: publicrelation@china-tcm.com.cn); and must be authenticated by the person or persons making it. In accordance with Section 567 of the Companies Ordinance, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the Companies Ordinance and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

PUTTING FORWARD PROPOSALS AT ANNUAL GENERAL MEETING

To put forward a resolution at an annual general meeting, shareholders are requested to follow the requirements and procedures set out in Sections 615 and 616 of the Companies Ordinance.

Section 615 of the Companies Ordinance provides that the Company must give notice of a resolution if it has received requests to do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong for the attention of the Board) or in electronic form (by email: publicrelation@china-tcm. com.cn); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than: (i) six weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the Companies Ordinance provides that the Company that is required under Section 615 of the Companies Ordinance to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

Pursuant to article 105 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

EXECUTIVE DIRECTORS

Mr. YANG Jun, aged 59, was appointed to the Board on 27 September 2024. Mr. YANG graduated from Beijing Normal University with a bachelor's degree majoring in education management in July 1989, and completed study in economic management in the in-service postgraduate class of the Graduate School of The Party School of the Communist Party of China Central Committee in July 2001. Mr. YANG has a senior marketing qualification certificate. Mr. YANG successively served as a secretary of the office, deputy director of the supply and marketing department, manager of the comprehensive planning department, manager of the preparation department, traditional Chinese medicine department (concurrently) and deputy manager of the operating business headquarters of China Pharmaceutical Industry Corporation from July 1989 to May 2005; served as municipal marketing director and hospital manager (concurrently) of China Pharmaceutical Industry Company Limited from May 2005 to June 2006; successively served as deputy director and director of the operation management department and director of the international cooperation department of China National Pharmaceutical Group Corporation (中國醫藥總公司) (currently known as China National Pharmaceutical Group Co., Ltd.) from June 2006 to March 2014; served as the secretary of the discipline inspection commission and a supervisor of Sinopharm Group Co. Ltd. (listed on the Stock Exchange, stock code: 01099) from March 2014 to January 2018; served as the president, deputy secretary of the Party Committee and a director of Shyndec Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600420) from January 2018 to July 2020; served as deputy secretary of the Party Committee (chief) of China Sinopharm International Corporation from July 2020 to June 2022; successively served as the secretary of the Party Committee, deputy general manager and chairman (legal representative) of Sinopharm Healthcare Industry Co., Ltd. from June 2022 to September 2024. Mr. YANG is currently also the secretary of the Party Committee of the Company and the chairman of China National Traditional Chinese Medicine Co., Ltd.

Mr. LI Hongjian, aged 39, was appointed to the Board on 27 September 2024. Mr. LI graduated from Sun Yat-sen University with a bachelor's degree majoring in business administration (human resources management) in July 2008 and completed MBA postgraduate study in Sun Yat-sen University in July 2014. Mr. LI has full senior economist and management consultant certificates. Mr. LI served as an assistant of human resource department of Foshan Water Industry Group Co., Ltd. (佛山市水業集團有限公司), the manager of human resource department of Guangzhou Southern Investment Group Co., Ltd. under China Southern Power Grid and the general manager of personnel administration of Guangzhou Electric Power Construction Co., Ltd. under China Southern Power Grid; served as the director of human resource department of the Company from April 2018 to June 2021; held positions as the interim deputy secretary of the Party Committee, the interim secretary of the Discipline Inspection Commission, the interim secretary of the Discipline Inspection Commission, and general manager of strategy and data operation center in Chongqing Taiji Industry (Group) Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600129) from June 2021 to September 2024; served as an executive director of Chongqing Medicines & Health Products Import & Export Co., Ltd. (currently known as Chongqing Taiji International Healthcare Industry Co., Ltd.) from August 2022 to September 2024. Mr. LI also serves as the president and deputy secretary of the Party Committee of the Company currently.

NON-EXECUTIVE DIRECTORS

Mr. LIU Haijian, aged 50, was appointed to the Board on 15 January 2025. Mr. LIU holds a master's degree and qualification of assistant engineer. Mr. LIU successively served as an associate section assistant of preliminary review and process management department of Patent Office of China National Intellectual Property Administration; the deputy director and director of party mass department of China National Pharmaceutical Group Corporation (currently known as China National Pharmaceutical Group Co., Ltd.); and the deputy party secretary of Sinopharm Group Co. Ltd. (listed on the Stock Exchange, stock code: 01099). He served as chairman of Sinopharm Holding Henan Co., Ltd., Sinopharm Group Xinjiang Xinte Pharmaceutical Co., Ltd. and Sinopharm Holding Hubei Co., Ltd. concurrently. Mr. LIU currently serves as a full-time external director of China National Pharmaceutical Group Co., Ltd. He has also served as a non-executive director of Chongqing Taiji Industry (Group) Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600129) with effect from 4 March 2025.

Mr. LI Xiangrong, aged 55, was appointed to the Board on 15 January 2025. Mr. LI holds a bachelor's degree of science and master's degree of science of Peking University, with qualification of lectureship. Mr. LI is a member of Pharmaceutical Intellectual Property Research Professional Committee of Chinese Pharmaceutical Association. Mr. LI served as an assistant and lecturer of Peking University; a member of party leadership group and the deputy mayor of Jiangxi Jinggangshan Municipal People's Government; the deputy director of industry management office of Peking University; the deputy manager of asset management department and the manager of planning and development department of China National Biotec Group Company Limited. He served as the director of board office of China National Pharmaceutical Group Co., Ltd. for a long period since 2010. He was a director of Beijing Tiantan Biological Products Corporation Limited (listed on the Shanghai Stock Exchange, stock code: 600161) from October 2018 to May 2023 and the vice president and secretary of the board of China National Biotec Group Company Limited from February 2018 to November 2024. Mr. LI has served as a full-time external director of China National Pharmaceutical Group Co., Ltd. since October 2024. He has also served as a non-executive director of Chongqing Taiji Industry (Group) Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600129) with effect from 4 March 2025.

Mr. ZU Jing, aged 54, was appointed to the Board on 15 January 2025. Mr. ZU holds a bachelor's degree of economics of Beijing Economics College, with the qualification of senior accountant. Mr. ZU served as the deputy general manager of financial department of China National Service Corporation for Chinese Personnel Working Aboard, the deputy general manager and financial director of Zhongfu Jiayuan Trade Company (中服嘉遠貿易公司); the general manager of financial department, deputy financial director and financial director of China Sinopharm International Company (currently known as China Sinopharm International Corporation); the financial director of Shanghai Shyndec Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600420). He served as the director of the international cooperation department of China National Pharmaceutical Group Co., Ltd. from April 2022 to March 2024. Mr. ZU has served as a full-time external director of China National Pharmaceutical Group Co., Ltd. since October 2024. He has also served as a non-executive director of Sinopharm Group Co. Ltd. (listed on the Stock Exchange, stock code: 01099) with effect from 12 February 2025.

Ms. XU Jinghui, aged 53, was appointed to the Board on 15 January 2025. Ms. XU holds a bachelor's degree of applied economics of Beijing University of Technology and master of business administration of Xiamen University, with certificates of full senior accountant, certified public accountant, certified tax agent, international certified internal auditor. Ms. XU served as an accountant of Management Commission of Beijing Central Wholesale Market for Agricultural Products; the accounting assistant of Yukun information center of China Urban Planning and Design Institute; a senior auditor of Beijing Zhongzhou Guanghua Certified Public Accountants; the director assistant of financial department of China National Pharmaceutical Group Co., Ltd.; the manager of financial department of Reed Sinopharm Exhibitions Co., Ltd.; the financial director of Bakery China Exhibitions Co., Ltd.; the financial director of China National Pharmaceutical Investment Co., Ltd.; the financial director of Sinopharm Group Finance Co., Ltd. from June 2016 to October 2024. Ms. XU has served as a full-time external director of China National Pharmaceutical Group Co., Ltd. since October 2024.

Mr. HUANG Hao, aged 41, was appointed to the Board on 15 January 2025. Mr. HUANG holds a master's degree of business administration of Swiss Geneva Business Institute, and the holder of Chartered Financial Analyst and China securities qualification certificate. Mr. HUANG served as a senior auditor of financial service in PricewaterhouseCoopers Zhong Tian CPAs Limited Company; a senior strategic analyst of planning department in Ping An Insurance (Group) Company of China, Ltd.; a senior investment manager of investment management department and corporation governance specialist of subsidiaries director resources department in Huawei Technologies Co., Ltd. He has successively served as the investment manager of private equity of Shanghai Huliu Investment Management Co., Ltd. and deputy general manager of investment business of Ping An Shenye (Shanghai) Private Fund Management Partnership Enterprise LLP of China Ping An Insurance Overseas (Holdings) Limited from 2019 until now.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. XIE Rong, aged 72, was appointed to the Board on 5 February 2013. Mr. XIE obtained a doctorate degree in economics, majoring in accounting in Shanghai University of Finance and Economics, in January 1993. Mr. XIE has over 50 years of working experience. He was the deputy head of the Accounting Department of Shanghai University of Finance and Economics and a partner of KPMG China (Shanghai) from September 1994 to November 1997 and from December 1997 to October 2002 respectively; a professor of the Shanghai National Accounting Institute from October 2002 to November 2017, and the vice president of the Shanghai National Accounting Institute from October 2002 to August 2012. Mr. XIE has been a director and independent director of SAIC Motor Corporation Limited (a company listed on the Shanghai Stock Exchange, stock code: 600104). Mr. XIE also served as an independent non-executive director of each of China Shipping Development Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 01138.HK & 600026.SH), China Eastern Airlines Corporation Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 00670.HK & 600115.SH), China CITIC Bank Corporation Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 00998.HK & 601998.SH), Tianjin Capital Environmental Protection Group Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 01065.HK & 600874.SH), Sinopharm Group Co., Ltd. (a company listed on the Stock Exchange, stock code: 01099), Shanghai Baosight Software Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600845) and China Everbright Bank Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 06818.HK & 601818.SH), Shenwan Hongyuan Group Co., Ltd. (a company listed on the Stock Exchange and the Shenzhen Stock Exchange, stock code: 06806.HK & 000166.SZ), and Shanghai Bairun Investment Holding Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002568). Mr. XIE has been an independent non-executive director of Baoshan Iron & Steel Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600019) and Shanghai Foreign Service Holding Group Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600662) since June 2018 and September 2021, respectively.

Mr. YU Tze Shan Hailson, aged 68, was appointed to the Board on 25 November 2013. Mr. YU possesses bachelor's and master's degree in Electrical Engineering and a master's degree of arts in Arbitration and Dispute Resolution. He completed the Postgraduate Diploma in Investment Management and Graduate Certificates in Hong Kong Laws and Chinese Medicine. He is a chartered engineer and a fellow of the Institution of Engineering and Technology, Hong Kong Institution of Engineers, the Institute of Arbitrators of the United Kingdom and Hong Kong Institute of Arbitrators.

Upon completing the Electrical Engineering Degree in 1979, Mr. YU worked as an assistant engineer in Ampex Ferrotec Limited (安培泛達有限公司). After three years, he became the manager of equipment maintenance and testing laboratory and subsequently managed the computer engineering and system engineering team for product and system design, product development plan and the establishment of CAD center. In 1987, Mr. YU joined China International Trust and Investment Corporation Hong Kong (Holdings) Limited 中國國際信託投資(香港集團)有限公司 as a general manager of engineering research and development department. During such period, he improved the business of subsidiaries engaged in technology sector and monitored the venture capital operation in respect of the high-technology business of the U.S. company. He also made contribution to the successful listing of two subsidiaries in the U.S. and the asset trading of several subsidiaries and later became the consultant for oil development and LPG terminal project. Since 1998, Mr. YU has been a deputy managing director of Versitech Limited (港大科橋有限公司) and deputy director in charge of transfer of colleague scientific technology achievement at Technology Transfer Office of The University of Hong Kong. In 2021, he was the chief operation officer of HKU Innovation Holdings Limited in charge of its 9 AI, robot and biological pharmaceutical scientific research centre. Mr. YU has retired from The University of Hong Kong in 2022, and served as the director of scientific results transfer and entrepreneurship in Macau University of Science and Technology since 2023.

Mr. YU was an independent non-executive director of Sinopharm Group Co., Ltd. (a company listed on the Stock Exchange, stock code: 01099). He has served as an independent non-executive director of China NT Pharma Group Company Limited (a company listed on the Stock Exchange, stock code: 01011) since June 2017. He also serves as an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 02196.HK & 600196.SH) since June 2021.

Mr. QIN Ling, aged 65, was appointed to the Board on 18 February 2019. Mr. QIN graduated from the Basic Medical and Life Sciences in Physical Education Faculty of the Beijing Sport University in 1982 and received his PhD in Exercise Science from the German Sports University, Cologne, Germany in 1992. He completed post-doctoral research relating to osteoporosis in the AO Research Institute in 1992. He was the laboratory director of the Department of Trauma & Reconstructive Surgery, School of Medicine, Free University of Berlin, Germany from July 1993 to August 1994, and director of the research laboratory in the Department of Orthopaedics & Traumatology from September 1994 until the present. He also served (or serves) as director of the Bone Quality and Health Centre, and director of Innovative Orthopaedics Biomaterial and Drug Translational Research Laboratory, Li Ka Shing Institute of Health Sciences, Faculty of Medicine, the Chinese University of Hong Kong (CUHK). Mr. QIN is currently a professor of Orthopaedics and director of laboratory of CUHK, head of the CUHK Hong Kong – Shenzhen Innovation and Technology Research Institute (Futian), and a doctorate and a post-doctorate supervisor.

Mr. LI Weidong, aged 56, was appointed to the Board on 18 February 2019. Mr. LI graduated from Nanjing University with bachelor's degrees in science and law in 1992 and obtained a doctor of philosophy in law from the City University of Hong Kong in 2004. Mr. LI acted as a professional lawyer of Nanjing Zhongshan Law firm from September 1992 to January 1994 and as a professional lawyer of Jiangsu Jingwei Law Firm from February 1994 to April 1997. Mr. LI is currently a director of Haipai Law Firm (Shenzhen and Hong Kong), an independent non-executive director of Ocean Line Port Development Limited (a company listed on the Stock Exchange, stock code: 8502), an independent director of LUFAX Holding, Ltd. (a company listed on the New York Stock Exchange and the Stock Exchange, stock code: LU.NYSE & 06623.HK) and Shenzhen Yan Tian Port Holdings Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000088).

SENIOR MANAGEMENT

Mr. SHEN Lixin, aged 58, was appointed as the vice president and financial director on 3 September 2021. Mr. SHEN graduated from Dongbei University of Finance and Economics with a bachelor's degree in trade and economics in 1989. Mr. SHEN holds professional qualifications as a senior accountant. Mr. Shen served as a cadre of the Finance Department of China National Pharmaceutical Corporation from July 1989 to January 1999, the deputy director of the Finance Department of China National Pharmaceutical Group Corporation (currently known as China National Pharmaceutical Group Co., Ltd.) from January 1999 to January 2003, the director of the Finance Department of Sinopharm Group Pharmaceutical Holdings Co. Ltd. (currently known as Sinopharm Group Co. Ltd., a company listed on the Stock Exchange, stock code: 01099) from January 2003 to July 2003, and the financial director of China National Corp. of Tradition & Herbal Medicines (currently known as China National Traditional Chinese Medicine Co., Ltd.) from July 2003 to May 2010. From May 2010 to September 2021, he served as the financial director of China National Medicines Corporation Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600511).

Mr. LAN Qingshan, aged 60, was appointed as a vice president on 24 December 2018. Mr. LAN was graduated from Jiangxi University of Traditional Chinese Medicine (currently known as Jiangxi University of Traditional Chinese Medicine) with a bachelor degree of Traditional Chinese Medicine in 1985 and a master degree of Traditional Chinese Medicine in 1990, and completed the EMBA programme from Peking University in 2000. Mr. LAN has the professional qualifications of university teacher certification, practicing physician, practicing pharmacist and chief pharmacist. He was a teaching assistant, house physician and lecturer of Jiangxi University of Traditional Chinese Medicine from July 1985 to September 1992. Mr. LAN has been with Jiangzhong (Pharmaceutical) Group Co., Ltd. for 17 years, served as the deputy general manager of Jiangxi Dongfeng Pharmaceutical Co., Ltd., the general manager of Jiangzhong Pharmaceutical Trading Co., Ltd., the deputy general manager of Jiangzhong Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600750), the general manager of Jiangxi Hengseng Food Company, person-incharge of the new products research and development department of Jiangzhong Group and the general manager of Jiang Zhong Xiao Zhou Medicine Trading Limited Company from October 1992 to December 2009. In which, he was the Deputy County Chief of Duchang County People's Government of Jiangxi in a temporary basis from April to December 2009. He was the deputy general manager and a senior staff of Medicinal Resources Industry Centre and the president of the Chinese Medicine Research Institute of China National Traditional Chinese Medicine Co., Ltd. from January 2010 to December 2018.

Mr. ZHAO Dongji, aged 56, has been appointed as a vice president, joint company secretary, chief legal advisor and chief compliance officer since 5 June 2017, 21 July 2017, 14 October 2019 and 24 March 2023 respectively. Mr. ZHAO was a non-executive director and an executive director of the Company from February 2013 to June 2017 and from June 2017 to December 2018 respectively. Mr. ZHAO obtained a bachelor's degree in engineering from Harbin Institute of Technology in 1989, and also obtained a master's degree in business administration from Harbin Institute of Technology in 2004. Mr. ZHAO has over 30 years of related working experience, including over 20 years of management experience in pharmaceutical and health products industry. Mr. ZHAO acted as the deputy head and head of Enterprise Management Department, head of Asset Management Department and Legal Department of Harbin Pharmaceutical Group Co., Ltd. from 2000 to 2011. He also acted as a director of Harbin Pharm Group Sanjing Pharmaceutical Shareholding Co., Ltd. from June 2004 to February 2011. Mr. ZHAO has served as the manager, the chief investment officer and the deputy general manager of Investment Management Department of China National Traditional Chinese Medicine Corporation (formerly named as China National Corp. of Traditional & Herbal Medicine) from 2011 to July 2017. Mr. ZHAO served as a director of Chongqing Taiji Industry (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600129) from May 2021 to March 2025.

Ms. HUANG He, aged 46, was appointed as a vice president on 25 March 2025. Ms. HUANG graduated from Renmin University of China majoring in accounting with a master's degree in 2004. She has qualifications of senior economist, senior human resource manager and auditor. Ms. HUANG successively served as the manager of department of operation inspection and audit, department of strategic planning, department of audit, department of human resource and operation director of China Traditional & Herbal Medicine Group Crop. (currently known as China Traditional Chinese Medicine Co. Ltd.) from July 2004 to December 2018; successively served as the secretary of the party, the vice president, an executive director, the deputy secretary of the party and chairman of the labor union of the Company from May 2017 to March 2025.

Mr. HUANG Zhangxin, aged 56, was appointed as a vice president on 15 October 2019. Mr. HUANG was graduated from Shanghai Medical University majoring in Medicinal Chemistry in Department of Pharmacy in July 1991 and obtained a master's degree in Economics and Management from Party School of the Guangdong Provincial Committee of CPC in July 2001. Mr. HUANG has professional qualifications of pharmaceutical engineer and senior pharmaceutical R&D engineer. Mr. HUANG served as officer in Rongqi Government in Shunde, Foshan, Guangdong from August 1991 to January 1996; deputy general manager in Shunde Nanfang Bio-Pharmaceutical Co., Ltd. (順德南方生物製藥有限公司) from January 1996 to January 2001; deputy general manager of the Company's subsidiary, Guangdong Medi-World Pharmaceutical Co., Ltd., and director of R&D, assistant to general manager and deputy general manager of Winteam Pharmaceutical Group Limited from January 2001 to October 2013; and deputy secretary of the Party Committee, vice president, general engineer and director of production, safety and environmental protection department of the Company from October 2013 to September 2019.

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To the members of
China Traditional Chinese Medicine Holdings Co. Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Traditional Chinese Medicine Holdings Co. Limited (the "Company") and its subsidiaries (the "Group") set out on pages 87 to 198, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EY 安永

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	**How our audit addressed the key audit matters**
Impairment of goodwill and other intangible assets	
As at 31 December 2024, the carrying values of goodwill and other intangible assets with indefinite useful lives in the consolidated financial statements amounted to RMB3,026,077,000 and RMB1,956,814,000, respectively. In accordance with HKFRSs, the Company is required to perform impairment tests for goodwill and other intangible assets with indefinite useful lives annually and management performed impairment tests on these assets by using the discounted cash flow model as at 31 December 2024. The impairment tests involve significant judgements about future business performance, with key assumptions including cash flows, the overall long-term growth rates and discount rates used. This matter was significant to our audit because the balances were material and the test process involved significant judgements. The significant judgements and estimates and the disclosures about the impairment of goodwill and other intangible assets with indefinite useful lives are included in notes 3, 16, 19 and 20 respectively to the consolidated financial statements.	Our audit procedures included, among others, the following: Involved our internal valuation specialists to assist us in evaluating the methodologies and the discount rates used by the Group for determining the recoverable amounts of each cash-generating unit (the "CGU"); Evaluated the underlying data used in management's cash flow projection on the future revenues and operating results by comparing to the financial performance of each CGU during the year 2024; Evaluated management's assumptions of growth rates of each CGU by examining the business development plans and historical annual growth of each CGU. We also checked the mathematical accuracy of computation supporting the value in use model; and Assessed the adequacy of the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment of other long-term non-financial assets	
The carrying values of the Group's property, plant and equipment, other intangible assets with finite useful lives and right-of-use assets as at 31 December 2024 amounted to RMB6,614,028,000, RMB3,149,354,000 and RMB1,099,971,000, respectively. These assets are reviewed annually by management for potential indicators of impairment. For certain long-term non-financial assets where such indicators exist, management engages an independent external valuer to assist to perform detailed impairment review of their recoverable amounts. This matter was significant to our audit because the assessment involves a significant degree of management judgements and estimates in determining the key assumptions. The significant judgements and estimates and related disclosures of these non-financial assets are included in notes 3, 17, 18 and 19 respectively to the consolidated financial statements.	Our audit procedures included, among others: Evaluated the competence, capabilities and independence of management's independent third party valuer and involved our internal valuation specialists to assist us in evaluating the methodologies used by the independent external valuer for determining the recoverable amounts, and assessing the discount rates and market data used in the assessment of the recoverable amounts of the non-financial assets. Examined the underlying data used such as management's projection on the future revenues and operating results by comparing with the financial performance of the CGU to which the long-term non-financial assets belong during the year 2024 and examined the business development plan and historical annual growth of each CGU to evaluate the growth rate of each CGU used in the projection.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables	
As at 31 December 2024, the Group had trade receivables of RMB8,168,990,000, after making a provision of RMB223,216,000. The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on the number of days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. This matter was significant to our audit because of the high level of management estimation required and the materiality of the amounts. The disclosures about the provision for impairment of trade receivables are included in notes 3 and 23 respectively to the consolidated financial statements.	Our audit procedures included, among others: Assessed the Group's internal controls over the credit control of trade receivables and evaluated the mathematic calculation by recalculating the provision matrix of ECLs. Evaluated the assumptions used in the ECL model by 1) assessing management's assumptions regarding the groupings of customer segments with similar loss patterns by reviewing the credit terms and historical payment patterns of different categories of the customers; 2) examining the underlying data used in the provision matrix by checking to the corresponding ageing and payment records on a sampling basis; and 3) evaluating forward-looking adjustments by reviewing the model calibration performed by management based on latest credit loss experience. Assessed the adequacy of the related disclosures in the consolidated financial statements.

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OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	4	**16,509,708**	18,121,861
Cost of sales		**(8,653,400)**	(8,847,369)
Gross profit		**7,856,308**	9,274,492
Other income	6	**197,696**	290,015
Other gains and losses	7	**(538,914)**	4,287
Selling and distribution expenses		**(5,419,271)**	(6,403,201)
Administrative expenses		**(1,057,664)**	(1,043,318)
Research and development expenses		**(596,007)**	(685,632)
Impairment losses under the expected credit loss model, net of reversal	8	**(106,554)**	(9,366)
PROFIT FROM OPERATIONS		**335,594**	1,427,277
Finance costs	9	**(171,535)**	(199,045)
Share of losses of associates		**(950)**	(3,699)
PROFIT BEFORE TAX		**163,109**	1,224,533
Income tax (expense)/credit	10	**(142,338)**	171,537
PROFIT FOR THE YEAR	11	**20,771**	1,396,070
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit plan		**(3,235)**	(1,851)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Change in fair value on debt instruments measured at fair value through other comprehensive income		**(6,325)**	(1,953)
Impairment loss recognised for debt instruments at fair value through other comprehensive income included in profit or loss		**727**	587
Income tax relating to items that may be reclassified subsequently		**799**	218
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(8,034)**	(2,999)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,737**	1,393,071

	Notes	2024 RMB'000	2023 RMB'000
Profit attributable to:			
Owners of the parent		**54,067**	1,285,200
Non-controlling interests		**(33,296)**	110,870
		20,771	1,396,070
Total comprehensive income attributable to:			
Owners of the parent		**45,900**	1,282,149
Non-controlling interests		**(33,163)**	110,922
		12,737	1,393,071
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and Diluted (RMB cents)	15	**1.07**	25.52

Consolidated Statement of Financial Position

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**6,614,028**	6,813,539
Investment properties	*17*	**81,627**	75,743
Right-of-use assets	*18*	**1,099,971**	1,146,048
Goodwill	*16*	**3,026,077**	3,457,903
Other intangible assets	*19*	**5,106,168**	5,486,365
Investments in associates	*21*	**10,921**	11,847
Deposits and prepayments	*22*	**65,446**	57,577
Deferred tax assets	*31*	**219,977**	219,480
Total non-current assets		**16,224,215**	17,268,502
CURRENT ASSETS			
Trade and other receivables	*23*	**8,566,512**	9,686,644
Inventories	*25*	**4,783,099**	5,959,149
Debt instruments at fair value through other comprehensive income ("FVTOCI")	*26*	**1,469,238**	886,777
Pledged bank deposits	*27(a)*	**153,743**	249,958
Cash and cash equivalents	*27(b)*	**3,866,911**	3,017,318
Total current assets		**18,839,503**	19,799,846
CURRENT LIABILITIES			
Trade and other payables	*28*	**5,437,645**	6,049,707
Lease liabilities	*18*	**22,605**	18,593
Contract liabilities	*29*	**185,192**	210,506
Interest-bearing bank and other borrowings	*32*	**2,078,923**	2,120,207
Unsecured notes	*33*	**22,388**	830,540
Tax payable		**53,445**	103,047
Total current liabilities		**7,800,198**	9,332,600
NET CURRENT ASSETS		**11,039,305**	10,467,246
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,263,520**	27,735,748

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Deferred government grants	*30*	**396,304**	421,291
Deferred tax liabilities	*31*	**1,042,460**	1,187,045
Unsecured notes	*33*	**1,198,299**	1,197,112
Interest-bearing bank and other borrowings	*32*	**618,391**	913,813
Lease liabilities	*18*	**75,032**	79,869
Total non-current liabilities		**3,330,486**	3,799,130
Net assets		**23,933,034**	23,936,618
EQUITY			
Equity attributable to owners of the parent			
Share capital	*34*	**11,982,474**	11,982,474
Reserves		**9,221,310**	9,177,661
		21,203,784	21,160,135
Non-controlling interests		**2,729,250**	2,776,483
Total equity		**23,933,034**	23,936,618

Approved and authorised for issue by the board of directors on 25 March 2025 and signed on its behalf by:

YANG Jun
EXECUTIVE DIRECTOR

LI Hongjian
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	FVTOCI reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests ("NCI") RMB'000	Total RMB'000
At 1 January 2023	11,982,474	(165,183)	874,107	(3,652)	(60,060)	7,540,441	20,168,127	2,779,988	22,948,115
Profit for the year	–	–	–	–	–	1,285,200	1,285,200	110,870	1,396,070
Other comprehensive income for the year	–	–	–	(3,051)	–	–	(3,051)	52	(2,999)
Total comprehensive income for the year	–	–	–	(3,051)	–	1,285,200	1,282,149	110,922	1,393,071
Deregistration of subsidiaries	–	–	–	–	–	–	–	(505)	(505)
Dividends distributed to NCI of subsidiaries	–	–	–	–	–	–	–	(60,177)	(60,177)
Final 2022 dividend declared	–	–	–	–	–	(235,995)	(235,995)	–	(235,995)
Acquisition of non-controlling interests of subsidiaries	–	–	(43,026)	–	(11,120)	–	(54,146)	(58,215)	(112,361)
Acquisition of a subsidiary	–	–	–	–	–	–	–	4,470	4,470
Transfer to statutory surplus reserve	–	–	51,469	–	–	(51,469)	–	–	–
At 31 December 2023	11,982,474	(165,183)	882,550	(6,703)	(71,180)	8,538,177	21,160,135	2,776,483	23,936,618
Profit for the year	–	–	–	–	–	54,067	54,067	(33,296)	20,771
Other comprehensive income for the year	–	–	–	(8,167)	–	–	(8,167)	133	(8,034)
Total comprehensive income for the year	–	–	–	(8,167)	–	54,067	45,900	(33,163)	12,737
Dividends distributed to NCI of subsidiaries	–	–	–	–	–	–	–	(16,321)	(16,321)
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	(2,251)	(2,251)	2,251	–
Transfer to statutory surplus reserve	–	–	27,822	–	–	(27,822)	–	–	–
At 31 December 2024	11,982,474	(165,183)	910,372	(14,870)	(71,180)	8,562,171	21,203,784	2,729,250	23,933,034

Note:

(a) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China ("PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their boards of directors annually. The statutory surplus reserve can be used to make up prior year losses, if any, and can be applied in converted into capital by means of capitalisation.

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**163,109**	1,224,533
Adjustments for:			
Depreciation and amortisation	11	**1,130,224**	1,133,271
Amortisation of deferred government grants	6	**(42,782)**	(41,843)
Impairment losses recognised/(reversed) in respect of			
– goodwill	11	**431,826**	–
– right-of-use assets	11	**7,846**	–
– other intangible assets	11	**129**	–
– property, plant and equipment	11	**24,201**	20,773
– trade receivables	11	**105,708**	10,151
– other receivables	11	**119**	(1,372)
– debt instruments at FVTOCI	11	**727**	587
Write-down of inventories	11	**73,176**	9,646
Finance costs	9	**171,535**	199,045
Interest income	6	**(47,677)**	(65,257)
Net loss/(gain) on disposal of property, plant and equipment	7	**2,825**	(26,342)
Net gain on disposal of right-of-use assets	7	**(1,544)**	(7,619)
Net loss on disposal of other intangible assets	7	**11**	238
Net foreign exchange (gains)/losses	7	**(1,798)**	384
Gain on disposal of an associate	7	**(361)**	–
Share of losses of associates	21	**950**	3,699
		2,018,224	2,459,894
Decrease in inventories		**1,102,874**	70,944
Decrease/(Increase) in trade and other receivables		**973,247**	(1,388,516)
(Decrease)/Increase in trade and other payables		**(491,493)**	927,006
Decrease in contract liabilities		**(25,314)**	(80,268)
Increase in debt instruments at FVTOCI		**(672,773)**	(556,769)
Cash generated from operations		**2,904,765**	1,432,291
PRC Enterprise Income Tax paid		**(321,422)**	(263,482)
Net cash flows from operating activities		**2,583,343**	1,168,809

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired		**–**	501
Proceeds from disposal of investment properties		**18**	–
Purchase of property, plant and equipment		**(511,323)**	(483,925)
Payments for acquisition of right-of-use assets		**–**	(65)
Purchase of other intangible assets		**(782)**	(4,621)
Proceeds from disposal of intangible assets		**1**	44
Proceeds from disposal of property, plant and equipment		**2,483**	45,121
Proceeds on disposal of right-of-use assets		**–**	10,570
Placement of time deposits		**–**	(60,000)
Withdrawal of time deposits		**–**	60,000
Assets-related government grants received		**17,795**	25,295
Capital injection to an associate		**(24)**	(568)
Proceeds from disposal of an associate, net of cash disposed		**361**	–
Decrease/(Increase) in pledged bank deposits		**64,558**	(135,229)
Interest received		**47,677**	65,257
Net cash flows used in investing activities		**(379,236)**	(477,620)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of unsecured notes	*41*	**–**	3,000,000
Issuance cost of unsecured notes	*41*	**–**	(4,740)
New bank and other borrowings	*41*	**4,554,350**	3,806,752
Repayments of unsecured notes	*41*	**(800,000)**	(4,200,000)
Repayments of bank and other borrowings	*41*	**(4,893,069)**	(2,539,872)
Principal portion of lease payments	*41*	**(24,277)**	(22,625)
Dividends paid	*41*	**–**	(240,000)
Interest paid	*41*	**(177,531)**	(177,912)
Dividends paid to non-controlling interests of subsidiaries	*41*	**(52,212)**	(93,924)
Acquisition of additional interests in a subsidiary		**–**	(111,985)
Net cash flows used in financing activities		**(1,392,739)**	(584,306)

	Notes	2024 RMB'000	2023 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**811,368**	106,883
Cash and cash equivalents at beginning of year	*27(b)*	**2,986,819**	2,879,563
Effect of foreign exchange rate changes, net		**238**	373
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,798,425**	2,986,819
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*27(b)*	**3,866,911**	3,017,318
Restricted cash	*27(b)*	**(68,486)**	(30,499)
Cash and cash equivalents as stated in the statement of cash flows		**3,798,425**	2,986,819

1. CORPORATE AND GROUP INFORMATION

China Traditional Chinese Medicine Holdings Co. Limited (the "Company") is a listed company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company's ultimate controlling party is China National Pharmaceutical Group Corporation ("CNPGC"), a company established in the PRC which is a Chinese state-owned enterprise. The address of the registered office and principal place of business of the Company is Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are the research and development, production and sales of Chinese medicine and pharmaceutical products in the PRC.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company and all its subsidiaries.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

The Group expects that the adoption of the above revised standards will have no significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and, deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned properties	2% to 5%
Plant, machinery and equipment	6.67% to 33.4%
Motor vehicles	10% to 25%
Office equipment and others	10% to 33.4%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life. The annual rates used for this purpose are 2% to 5%.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Licenses and franchises, customer relationship, software and distribution network

Licenses and franchises, customer relationship, software and distribution network, purchased or acquired through business combinations are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives as below:

Licenses and franchises	12 to 20 years
Customer relationship	5 to 21 years
Software	5 to 10 years
Distribution network	10 years

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Product protection rights

The product protection rights mainly comprises the licenses for manufacturing and trading of concentrated Traditional Chinese Medicines ("TCM") granules and patterns and knowhows regarding production technology and processes of various concentrated TCM granules. Production protection rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 25 years.

Trademark

Trademarks (including brand names) are assessed to have indefinite useful lives or finite useful lives ranging from 10 years to 44 years according to the managements' assessment regarding the foreseeable limit to the period over which these trademarks are expected to generate net cash flows for the Group. Trademarks with finite useful lives are amortised on the straight-line basis over their estimated useful lives.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 50 years
Buildings	1 to 20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. It is the Group’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, unsecured notes and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of goods*

Revenue from the sale of goods includes the sale of TCM products. Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Some contracts for the sale of goods provide customers with rebates giving rise to variable consideration.

Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customers. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) TCM healthcare service

TCM healthcare service comprises of consultation and diagnosis service, prescription service, decoction service, medication and physiotherapy. These services constitute three performance obligations: i) consultation, diagnosis and prescription, ii) decoction and medication, and iii) physiotherapy. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price. For all of the three performance obligations, control of the respective service is transferred at a point in time, i.e. upon completion of the respective service or delivery of medicative healthcare products to the customer. Revenue from consultation, diagnosis and prescription is recognised when those services are completed. Revenue from decoction and medication is recognised when the related medicative healthcare products are delivered to the customer. Revenue from physiotherapy is recognised evenly upon each of the completed services. Transactions are settled by payment from commercial insurance, the government's insurance schemes, or directly paid by bank cards, third-party payment platforms or cash from customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Employee retirement benefits

Mainland China

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Hong Kong

Under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the Company's subsidiaries registered in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The costs of employee retirement benefits are recognised as expenses in profit or loss in the period in which they are incurred.

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Defined benefit plan (continued)

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales", "selling and distribution expenses" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Withholding taxes arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distribution of dividends from a subsidiary according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends or on whether the subsidiary of the Group is determined to be Chinese resident enterprise by the PRC governing tax authorities in the future.

Management considered that the Group's subsidiary in Chinese Mainland will distribute 30% of the retained profits as at the end of each of the reporting periods in the foreseeable future and provision for withholding tax was made accordingly. Where the final outcome of these matters is different from the amounts originally rewarded, the difference will impact the deferred tax provision in the period in which the difference arises.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill and other intangible assets with indefinite useful lives

The Group determines whether goodwill and other intangible assets with indefinite useful lives is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets with indefinite useful lives is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The information about the Group's goodwill and other intangible assets with indefinite useful lives is disclosed in notes 16, 19 and 20 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of other long-term non-financial assets

The Group assesses whether there are any indicators of impairment for other long -term non-financial assets, excluding goodwill and other intangible assets with indefinite useful lives, at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17, 18 and 19 to the consolidated financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Write-down of inventories to net realisable value

The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes provision against obsolete and slow-moving items by using the lower of cost and net realisable value rule. The assessment of the write-down required involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down of inventories in the period in which the estimate has been changed. The information about the Group's inventories is disclosed in note 25 to the consolidated financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each of the reporting periods. Further details of property, plant and equipment are set out in note 17 to the consolidated financial statements.

Deferred tax

Deferred tax are recognised on the temporary differences arising between the carrying amounts of assets or liabilities in the Group's consolidated financial statements and their tax basis. Significant management estimation is required to determine the amount of the deferred tax, including the likely timing and level of future taxable profits, future tax planning strategies, and applicability and sustainability of preferential tax policies.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2024 **RMB'000**	2023 RMB'000
Types of goods or services		
Concentrated TCM granules	**6,972,013**	9,108,382
TCM finished drugs	**4,552,955**	3,994,333
TCM decoction pieces	**3,314,794**	2,811,368
Chinese medicinal herbs integration business	**1,386,669**	1,855,534
TCM great health	**283,277**	352,244
Total	**16,509,708**	18,121,861

	2024 **RMB'000**	2023 RMB'000
Geographical markets		
Mainland China	**16,404,944**	18,024,104
Hong Kong	**50,419**	41,695
Overseas and others	**54,345**	56,062
Total	**16,509,708**	18,121,861
Timing of revenue recognition		
At point in time	**16,509,708**	18,121,861

(ii) Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers		
External customers	**16,509,708**	18,121,861
Intersegment sales	**2,377,918**	2,474,126
Subtotal	**18,887,626**	20,595,987
Intersegment adjustments and eliminations	**(2,377,918)**	(2,474,126)
Total	**16,509,708**	18,121,861

4. REVENUE (CONTINUED)

(iii) Performance obligations for contracts with customers

Sales of TCM products (revenue recognised at a point in time)

Revenue from sales of TCM products, such as concentrated TCM granules, finished drugs, TCM decoction pieces and TCM healthcare products, is recognized at the point in time when control of the assets are transferred to the customers, the customers have full discretion to use the healthcare products, and there is no unfulfilled obligation that could affect the customers' acceptance of the healthcare products. Transactions are settled by payment from commercial insurance, government's insurance scheme, third-party payment platforms, or directly paid by bank cards or cash from customers.

Product sales represent the sales value of goods, less estimated discounts.

The provision for deduction of estimated revenue is recorded in the same period in which the relevant sales are recorded and based on sales terms, historical experience and trend analysis. Discounts to customers are in accordance with the practice of the TCM industry and prime healthcare industry. The Group records discount provision for sales at the time of sales based on the agreed rate.

The Group regularly reviews the estimates and accordingly adjusts provisions.

Provision of TCM healthcare services (revenue recognised at a point in time)

The Group provides medical diagnosis and health examination services.

Revenue from TCM healthcare services contains more than one performance obligation, including (i) the provision of consultation services or diagnostic services, (ii) the sales of TCM products, and (iii) TCM therapies. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price. The control of services or TCM products is transferred at a point in time, and revenue is recognised when the customer obtains the control of the completed services or TCM products as the Group has satisfied its performance obligations with a present right to payment and the collection of the consideration is probable. Transactions are settled by payment from commercial insurance, government's insurance scheme, third-party payment platforms, or directly paid by bank cards or cash from customers.

5. OPERATING SEGMENTS INFORMATION

The Group's operating and reporting segments have been identified on the basis of internal management reports that are regularly reviewed by the executive directors, being the chief operating decision makers ("CODM") of the Group, in order to allocate resources to segments and to assess their performances. The Group has four reportable operating segments as follows:

i. Yi Fang segment mainly engages in the manufacture and sales of concentrated TCM granules ("CTCMG"), TCM healthcare products, and TCM decoction pieces under "Yi Fang" brand. Majority of the revenue of Yi Fang segment is derived from the sales of CTCMG.

ii. Tian Jiang segment mainly engages in the manufacture and sales of CTCMG, TCM decoction pieces, and TCM healthcare products under "Tian Jiang" brand. The Tianjiang segment also provides a variety of Chinese medical related healthcare solutions, including Chinese medical consultation and diagnosis, TCM physiotherapy, and prescription with concentrated TCM granules, TCM decoction pieces and TCM healthcare product (the "TCM Healthcare Solutions"), through its offline medical institutions under "Tian Jiang" brand. Majority of the revenue of Tian Jiang segment is derived from the sales of CTCMG.

iii. Tong Ji Tang segment mainly engages in the manufacture and sales of CTCMG, TCM decoction pieces and TCM finished drugs under "Tong Ji Tang" brand. The Tong Ji Tang segment also engages in the manufacture and sales of a wide range of healthcare products in great health industry.

iv. Medi-World segment mainly engages in the manufacture and sales of TCM finished drugs under various brands, including but not limited to "Medi-world", "De Zhong" and "Feng Liao Xing"; and provision of a variety of TCM Healthcare Solutions through its offline medical institutions under "Feng Liao Xing" brand.

Management monitors the results of the Group's operating segments respectively for the purpose of making decisions about resource allocation and performance assessment. For the purposes of assessing segment performance and allocating resources between segments, the CODM then monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit or loss from the continuing operations. Adjusted profit or loss from the continuing operations is measured consistently with the Group's profit after tax from continuing operations except that corporate expenses in head office are excluded from such measurement. Revenue, cost of sales, other gains and losses and all types of expenses are allocated to the reportable segments with reference to the transactions incurred by those segments or allocated on a reasonable basis.

Segment assets exclude financial assets at FVTPL, deferred tax assets and unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude tax payable, deferred tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. Intersegment sales are eliminated on consolidation.

The following tables present revenue and other segment information for the Group's operating:

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

(i) Segment results, assets and liabilities

Year ended 31 December 2024	Yifang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue (note 4)						
External customers	5,613,357	3,880,694	2,328,566	4,687,091	–	16,509,708
Intersegment sales	171,688	232,219	344,266	1,629,745	(2,377,918)	–
Total segment revenue	5,785,045	4,112,913	2,672,832	6,316,836	(2,377,918)	16,509,708
Segment results	182,260	(597,856)	266,548	177,321	–	28,273
Reconciliation:						
Other unallocated head office and corporate expenses						(7,502)
Profit for the year						20,771
Other segment information:						
Interest income	4,175	2,476	2,008	39,018	–	47,677
Finance cost	(49,367)	(63,477)	18,921	(77,612)	–	(171,535)
Share of losses of associates	–	1	–	(951)	–	(950)
Depreciation and amortisation	(472,274)	(378,671)	(97,174)	(182,105)	–	(1,130,224)
Write-down of inventories	(20,180)	(28,118)	(21,808)	(3,070)		(73,176)
Impairment losses under the expected credit loss model, net of reversal	(69,193)	(21,553)	(7,315)	(8,493)	–	(106,554)
Impairment loss recognised in respect of						
– goodwill	–	(430,236)	–	(1,590)	–	(431,826)
– right of use assets	–	(7,846)	–	–	–	(7,846)
– other intangible assets	(129)	–	–	–	–	(129)
– property, plant and equipment	–	(24,201)	–	–	–	(24,201)

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

(i) Segment results, assets and liabilities (continued)

As at 31 December 2024	Yifang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	**15,110,492**	**10,244,478**	**6,033,056**	**8,860,033**	**–**	**40,248,059**
Reconciliation:						
Elimination of intersegment receivables						**(5,679,697)**
Deferred tax assets						**219,977**
Corporate and other unallocated assets						**275,379**
Total assets						**35,063,718**
Segment liabilities	**4,071,509**	**3,514,196**	**1,253,622**	**6,817,455**	**–**	**15,656,782**
Reconciliation:						
Elimination of inter-segment payables						**(5,679,697)**
Tax payable						**53,445**
Deferred tax liabilities						**1,042,460**
Corporate and other unallocated liabilities						**57,694**
Total liabilities						**11,130,684**

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

(i) Segment results, assets and liabilities (continued)

Year ended 31 December 2023	Yifang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue (note 4)						
External customers	6,794,514	5,119,857	2,035,495	4,171,995	–	18,121,861
Intersegment sales	324,147	302,292	335,346	1,512,341	(2,474,126)	–
Total segment revenue	7,118,661	5,422,149	2,370,841	5,684,336	(2,474,126)	18,121,861
Segment results	628,627	471,524	236,398	105,944	–	1,442,493
Reconciliation:						
Other unallocated head office and corporate expenses						(46,423)
Profit for the year						1,396,070
Other segment information:						
Interest income	16,773	4,107	4,363	40,014	–	65,257
Finance cost	(75,704)	(73,370)	21,216	(71,187)	–	(199,045)
Share of losses of associates	–	3	–	(3,702)	–	(3,699)
Depreciation and amortisation	(480,076)	(372,345)	(104,760)	(176,090)	–	(1,133,271)
Write-down of inventories	(5,590)	1,738	(5,340)	(454)	–	(9,646)
Impairment losses under the expected credit loss model, net of reversal	(9,455)	(1,852)	(1,765)	3,706	–	(9,366)
Impairment loss recognised in respect of						
– goodwill	–	–	–	–	–	–
– right of use assets	–	–	–	–	–	–
– other intangible assets	–	–	–	–	–	–
– property, plant and equipment	(10,963)	(9,057)	–	(753)	–	(20,773)

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

(i) Segment results, assets and liabilities (continued)

As at 31 December 2023	Yifang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	15,836,717	12,160,190	5,855,965	7,577,820	–	41,430,692
Reconciliation:						
Elimination of intersegment receivables						(5,097,060)
Deferred tax assets						219,480
Corporate and other unallocated assets						515,236
Total assets						37,068,348
Segment liabilities	5,001,209	4,646,332	1,309,704	5,688,360	–	16,645,605
Reconciliation:						
Elimination of inter-segment payables						(5,097,060)
Tax payable						103,047
Deferred tax liabilities						1,187,045
Corporate and other unallocated liabilities						293,093
Total liabilities						13,131,730

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

(ii) Geographical information and information about major customers

Analysis of the Group's non-current assets by geographical market has not been presented as substantially all of the Group's assets are located in Chinese Mainland, no geographical information as required by HKFRS 8 *Operating Segments* is presented.

The Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's revenue in both 2024 and 2023.

6. OTHER INCOME

	2024 **RMB'000**	2023 RMB'000
Government grants		
– Unconditional subsidies (note i)	**98,218**	175,068
– Conditional subsidies (note ii)	**42,782**	41,843
Interest income on bank deposits	**47,677**	65,257
Rental income from investment properties	**9,019**	7,847
Total other income	**197,696**	290,015

Notes:

(i) The amount represents subsidy income received from various government authorities as incentives to the Group to recognise their contribution to the local economy.

(ii) Including government grants and subsidies have been received to compensate for the Group's research and development expenditures, which relate to future costs to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants are recognised in profit or loss when related costs are subsequently incurred and the Group receives government's acknowledgement of compliance. Other government grants have been received to compensate for the construction of the production line. The subsidies are recognised in profit or loss over the useful lives of the relevant assets.

7. OTHER GAINS AND LOSSES

	Notes	2024 RMB'000	2023 RMB'000
Impairment loss recognised in respect of			
– goodwill	16	**(431,826)**	–
– right-of-use assets	18	**(7,846)**	–
– other intangible assets	19	**(129)**	–
– property, plant and equipment	17	**(24,201)**	(20,773)
Net (loss)/gain on disposal of property, plant and equipment		**(2,825)**	26,342
Net gain on disposal of right of use assets		**1,544**	7,619
Net gain on disposal of an associate		**361**	–
Net loss on disposal of other intangible assets		**(11)**	(238)
Donation		**(14,437)**	(14,455)
Net foreign exchange gains/(losses)		**1,798**	(384)
Penalty interests (note i)		**(64,237)**	(1,216)
Other gains		**2,895**	7,392
Total (losses)/gains		**(538,914)**	4,287

Note:

(i) Penalty interests mainly represented the penalty interest in relation to the under provision in income taxes in prior years as disclosed in note 10 Income Tax Expense.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2024 RMB'000	2023 RMB'000
Impairment losses (recognised)/reversed in respect of		
– trade receivables	**(105,708)**	(10,151)
– other receivables	**(119)**	1,372
– debt instruments at FVTOCI	**(727)**	(587)
Total	**(106,554)**	(9,366)

Details of impairment assessment for the year ended 31 December 2024 are set out in note 39.

9. FINANCE COSTS

	2024 **RMB'000**	2023 RMB'000
Interest expense:		
– Interest on interest-bearing bank and other borrowings	**97,281**	76,289
– Effective interest expense on unsecured notes	**43,207**	89,416
– Factoring of trade receivables	**24,800**	29,871
– Interest on lease liabilities	**6,247**	3,469
Total	**171,535**	199,045

10. INCOME TAX EXPENSE/(CREDIT)

	2024 **RMB'000**	2023 RMB'000
Current tax:		
Enterprise income tax ("EIT")	**189,053**	290,495
Under/(over) provision in prior year (note i)	**97,568**	(12,561)
Subtotal	**286,621**	277,934
Deferred tax credit	**(144,283)**	(449,471)
Total	**142,338**	(171,537)

Note:

(i) During the year ended 31 December 2024, certain subsidiaries of the Group have been inspected by local tax bureaus, or have conducted self-inspection following the tax audit notices issued by local tax bureaus, respectively. These subsidiaries have made provisions based on the best estimate of under provision on relevant income tax during the respective periods ranging from year 2017 to year 2023.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit derived from Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain subsidiaries of the Group were qualified enterprises located in the western region of the PRC or recognised as advanced and new technology enterprises and, accordingly, enjoyed a preferential enterprise income tax rate of 15% during the year ended 31 December 2024 and 2023. Certain subsidiaries of the Group were qualified enterprise with operation of medicinal plants primary processing business in the PRC and enjoys a full enterprise income tax exemption during the years ended 31 December 2024 and 2023.

10. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

The income tax expense for the year is reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	**163,109**	1,224,533
Tax at the domestic income tax rate of 25%	**40,777**	306,133
Income tax at concessionary rate	**(78,668)**	(179,065)
Effect on deferred tax of decrease in rate	**–**	(295,152)
Additional tax deduction for qualified research and development expenses	**(75,785)**	(78,393)
Effect of tax exemptions granted to PRC subsidiaries	**(40,601)**	(32,279)
Tax effect of expenses not deductible for tax purposes	**117,325**	18,036
Tax effect of income not taxable for tax purposes	**(3,306)**	(9,332)
Under/(over) provision in respect of prior years	**97,568**	(12,561)
Tax losses not recognised	**93,564**	82,646
Utilisation of tax losses previously not recognised	**(12,619)**	(9,746)
Withholding tax on interest income from PRC entities	**3,240**	6,409
Withholding tax on distributable profits of PRC entities	**843**	31,767
Income tax expense/(credit) for the year	**142,338**	(171,537)

The domestic tax rate (which is PRC corporate tax rate) in the jurisdictions where the operation of the Group is substantially based is used.

11. PROFIT FOR THE YEAR

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Directors' remuneration	12	**4,402**	8,932
Other staff costs			
Salaries, wages and other benefits		**2,224,458**	2,216,823
Contributions to defined contribution retirement benefits		**183,972**	161,574
Subtotal		**2,408,430**	2,378,397
Cost of sales		**8,653,400**	8,847,369
Included: Write-down of inventories to net realisable value*	25	**73,176**	9,646
Auditor's remuneration		**5,255**	5,255
Impairment loss recognised/(reversed) in respect of			
– goodwill	7	**431,826**	–
– right of use assets	7	**7,846**	–
– other intangible assets	7	**129**	–
– Property, plant and equipment	7	**24,201**	20,773
– trade receivables	8	**105,708**	10,151
– other receivables	8	**119**	(1,372)
– debt instruments at FVTOCI	8	**727**	587
Depreciation of			
– investment properties	17	**6,052**	29,927
– property, plant and equipment	17	**679,563**	653,510
– right-of-use assets	18	**53,445**	50,363
Amortisation of other intangible assets	19	**391,164**	399,471
Total depreciation and amortisation		**1,130,224**	1,133,271
Gross rental income from investment properties	6	**(9,019)**	(7,847)
Less: Direct operating expenses incurred for investment properties		**1,362**	1,186
Total		**(7,657)**	(6,661)

* The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for both years, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

			2024		
	Directors' fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Yang Jun	–	72	–	31	103
Chen Yinglong	–	700	718	91	1,509
Li Hongjian	–	93	–	13	106
Non-executive director					
Cheng Xueren	–	255	540	12	807
Yang Wenming	–	259	540	18	817
Independent non-executive directors					
Xie Rong	228	37	–	–	265
Yu Tze Shan Hailson	228	37	–	–	265
Qin Ling	228	37	–	–	265
Li Weidong	228	37	–	–	265
Total	912	1,527	1,798	165	4,402

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	2023				
	Directors' fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Chen Yinglong	–	1,095	1,512	116	2,723
Cheng Xueren	–	1,006	1,440	45	2,491
Yang Wenming	–	1,046	1,440	116	2,602
Independent non-executive directors					
Xie Rong	225	54	–	–	279
Yu Tze Shan Hailson	225	54	–	–	279
Qin Ling	225	54	–	–	279
Li Weidong	225	54	–	–	279
Total	900	3,363	4,392	277	8,932

The executive directors' emoluments shown above for both years were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above for both years were for his services as director of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above for both years were for their services as directors of the Company.

Note:

(a) On 27 September 2024, Mr. Chen Yinglong resigned as a director of the Company and Mr. Yang Jun was appointed as executive directors of the Company.

(b) On 21 March 2024, Cheng Xueren and Yang Wenming changed from executive directors to non-executive directors.

(c) Mr. Li Hongjian has been appointed as an executive director and managing director of the Company with effect from 27 September 2024.

Some directors were also the employees of the CNPGC and their remuneration were paid and borne by CNPGC and there is no reasonable basis to allocate the emoluments relating to services provided to the Group during the years ended 31 December 2024 and 2023.

Neither the chief executive officer nor any of the directors waived any emoluments, compensation loss and inducement to join or upon joining the Group during the years ended 31 December 2024 and 2023.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one director (2023: three directors), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining four (2023: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries and allowances	**2,230**	1,857
Discretionary bonuses	**3,390**	2,400
Retirement benefits	**311**	231
Total	**5,931**	4,488

The number of non-directors and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2024 **Number of individuals**	2023 Number of individuals
HK$		
1,000,001 – 1,500,000	**3**	–
2,000,001 – 2,500,000	**1**	2
Total	**4**	2

14. DIVIDENDS

	2024 **RMB'000**	2023 RMB'000
Proposed final – HK0.35 cents (2023: Nil) per ordinary share	**16,115**	–
Proposed special – HK8.30 cents per ordinary share	**385,742**	–
Total	**401,857**	–

The proposed final dividend for the year ended 31 December 2024 and special dividend are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to ordinary equity holders of the parent is based on the following data:

	2024	2023
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent	**54,067**	1,285,200
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,035,801**	5,035,801

No diluted earnings per share amounts for both 2024 and 2023 were presented as there were no potential ordinary shares in issue for both 2024 and 2023.

16. GOODWILL

	2024	2023
	RMB'000	RMB'000
COST		
At 1 January	**3,570,574**	3,568,984
Additions	**–**	1,590
At 31 December	**3,570,574**	3,570,574
IMPAIRMENT		
At 1 January	**(112,671)**	(112,671)
Impairment loss recognised for the year	**(431,826)**	–
At 31 December	**(544,497)**	(112,671)
CARRYING VALUES		
At 31 December	**3,026,077**	3,457,903

Particulars regarding to the carrying amount of goodwill and impairment testing on goodwill are disclosed in note 20.

17. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Owned properties RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Office equipment and others RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
COST								
At 1 January 2023	5,924,018	2,150,761	16,245	544,814	1,120,552	9,756,390	125,794	9,882,184
Additions	32,680	70,487	4,713	534,408	97,751	740,039	5,583	745,622
Acquisition of a subsidiary	6,017	772	–	–	1,309	8,098	–	8,098
Transfer from construction in progress	150,847	143,573	377	(298,446)	3,649	–	–	–
Transfer from right-of-use assets	–	–	–	–	–	–	1,888	1,888
Transfer from investment properties	9,205	–	–	–	–	9,205	(9,205)	–
Transfer to other intangible assets	–	–	–	(6,873)	–	(6,873)	–	(6,873)
Transfer to investment properties	(20,241)	–	–	–	–	(20,241)	20,241	–
Disposals	(40,768)	(1,165)	(6,773)	(419)	(42,798)	(91,923)	–	(91,923)
At 31 December 2023	6,061,758	2,364,428	14,562	773,484	1,180,463	10,394,695	144,301	10,538,996
Additions	**96**	**61,840**	**2,594**	**395,167**	**71,712**	**531,409**	**–**	**531,409**
Transfer from construction in progress	**499,358**	**126,346**	**2,930**	**(667,523)**	**38,708**	**(181)**	**181**	**–**
Transfer from right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**11,809**	**11,809**
Transfer from investment properties	**24,182**	**–**	**–**	**–**	**–**	**24,182**	**(24,182)**	**–**
Transfer to other intangible assets	**–**	**–**	**–**	**(10,326)**	**–**	**(10,326)**	**–**	**(10,326)**
Transfer to investment properties	**(10,551)**	**–**	**–**	**–**	**–**	**(10,551)**	**10,551**	**–**
Disposals	**(10,453)**	**(26,598)**	**(2,191)**	**(697)**	**(90,886)**	**(130,825)**	**(18)**	**(130,843)**
At 31 December 2024	**6,564,390**	**2,526,016**	**17,895**	**490,105**	**1,199,997**	**10,798,403**	**142,642**	**10,941,045**

17. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Owned properties RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Office equipment and others RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2023	1,445,435	907,472	3,878	232	634,928	2,991,945	36,043	3,027,988
Additions	320,844	160,904	4,079	–	167,683	653,510	29,927	683,437
Acquisition of a subsidiary	2,084	294	–	–	571	2,949	–	2,949
Transfer from right-of-use assets	–	–	–	–	–	–	675	675
Transfer from investment properties	4,858	–	–	–	–	4,858	(4,858)	–
Transfer to investment properties	(6,771)	–	–	–	–	(6,771)	6,771	–
Disposals	(23,015)	(13,158)	(6,101)	(56)	(43,778)	(86,108)	–	(86,108)
Impairment	8,557	11,424	5	753	34	20,773	–	20,773
At 31 December 2023	1,751,992	1,066,936	1,861	929	759,438	3,581,156	68,558	3,649,714
Additions	**345,684**	**177,223**	**4,289**	**–**	**152,367**	**679,563**	**6,052**	**685,615**
Transfer from right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**923**	**923**
Transfer from investment properties	**19,174**	**–**	**–**	**–**	**–**	**19,174**	**(19,174)**	**–**
Transfer to investment properties	**(4,656)**	**–**	**–**	**–**	**–**	**(4,656)**	**4,656**	**–**
Disposals	**(6,590)**	**(20,846)**	**(1,947)**	**(697)**	**(84,983)**	**(115,063)**	**–**	**(115,063)**
Impairment	**23,999**	**–**	**77**	**–**	**125**	**24,201**	**–**	**24,201**
At 31 December 2024	**2,129,603**	**1,223,313**	**4,280**	**232**	**826,947**	**4,184,375**	**61,015**	**4,245,390**
CARRYING VALUES								
At 31 December 2024	**4,434,787**	**1,302,703**	**13,615**	**489,873**	**373,050**	**6,614,028**	**81,627**	**6,695,655**
At 31 December 2023	4,309,766	1,297,492	12,701	772,555	421,025	6,813,539	75,743	6,889,282

17. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) For investment properties, the Group leases out various offices and warehouses under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 8 years, with no unilateral rights to extend the lease beyond initial period.

(b) The Group is not exposed to foreign currency risk for investment properties as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

(c) All investment properties of the Group were stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. The fair values of the investment properties as at 31 December 2024 was RMB135,648,000 (2023: RMB136,585,000). The fair value of the investment properties as at 31 December 2024 and 31 December 2023 have been arrived at based on a valuation carried out by Ravia Global Appraisal Advisory Limited, an independent valuer not connected with the Group.

The fair value of the investment properties as at 31 December 2024 was determined based on the market approach (direct comparison approach) assuming sale of the property interests in their existing states with the benefit of vacant possession and with reference to comparable sales transactions as available in the relevant market. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about their fair value under level 2 fair value hierarchy are as follows:

	2024		2023	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Commercial property units	**2,750**	**8,980**	2,069	5,040
Office and Plant units	**78,877**	**126,668**	73,674	131,545
Total	**81,627**	**135,648**	75,743	136,585

17. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Certain of the Group's buildings with carrying values of RMB614,842,000 (2023: RMB672,502,000) were pledged to secure certain interest-bearing bank and other borrowings and bills payables granted to the Group.

(e) A factory building situated in the PRC with carrying values of RMB23,767,000 (2023:None) is currently under judicial auction, resulting in restricted control rights over the assets.

(f) The Group has not yet obtained the building ownership certificates for buildings situated in the PRC with an aggregate carrying value of RMB972,981,000 (2023: RMB625,578,000). The buildings are currently in use and in the opinion of directors, there is no material legal impediment for the Group to obtain the building ownership certificates.

18. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 to 20 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

18. LEASES (CONTINUED)

The Group as a lessee (continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Notes	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2023		1,101,435	58,386	1,159,821
Additions		104	17,177	17,281
Acquisition of a subsidiary		–	23,473	23,473
Transfer to investment property	17	(1,213)	–	(1,213)
Depreciation charge		(29,653)	(20,710)	(50,363)
Disposals		(2,951)	–	(2,951)
As at 31 December 2023 and 1 January 2024		**1,067,722**	**78,326**	**1,146,048**
Additions		**8,323**	**48,225**	**56,548**
Transfer to investment property	17	**(10,886)**	**–**	**(10,886)**
Disposals		**–**	**(30,448)**	**(30,448)**
Impairment		**(7,846)**	**–**	**(7,846)**
Depreciation charge		**(30,412)**	**(23,033)**	**(53,445)**
As at 31 December 2024		**1,026,901**	**73,070**	**1,099,971**

Certain of the Group's right-of-use assets with carrying values of RMB50,420,000 (2023: RMB91,902,000) were pledged to secure certain interest-bearing bank and other borrowings and bills payables granted to the Group.

18. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**98,462**	79,636
New leases	**55,787**	16,658
Acquisition of a subsidiary	**–**	24,793
Accretion of interest recognised during the year	**6,247**	3,469
Disposal	**(32,335)**	–
Payments	**(30,524)**	(26,094)
Carrying amount at 31 December	**97,637**	98,462
Analysed into:		
Current portion	**22,605**	18,593
Non-current portion	**75,032**	79,869

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	**22,605**	18,593
Within a period of more than one year but not more than two years	**21,328**	20,017
Within a period of more than two years but not more than five years	**33,033**	43,652
Within a period of more than five years	**20,671**	16,200
Total	**97,637**	98,462
Less: Amount due for settlement with 12 months shown under current liabilities	**22,605**	18,593
Amount due for settlement after 12 months shown under non-current liabilities	**75,032**	79,869

18. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The weighted average incremental borrowing rate applied to lease liabilities is 4.83% (2023: 4.87%).

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of 12 months to 20 years, with no extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has obtained the land use right certificates for all leasehold lands except for the leasehold land with a carrying amount of RMB6,424,000 (2023: RMB6,335,000) in which the Group is in the process of obtaining the certificates.

The Group regularly entered into short-term leases for plant and warehouse. As at 31 December 2024 and 2023, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB97,637,000 are recognized with related right-of-use assets of RMB92,955,000 as at 31 December 2024 (2023: lease liabilities of RMB98,462,000 are recognized with related right-of-use assets of RMB92,771,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. OTHER INTANGIBLE ASSETS

	Product protection rights RMB'000	Trademarks RMB'000	Distribution network RMB'000	Software RMB'000	Customer relationship RMB'000	Licences and franchises RMB'000	Total RMB'000
COST							
At 1 January 2023	2,830,345	2,006,335	59,000	67,319	2,245,552	336,814	7,545,365
Additions	–	74	–	3,933	–	604	4,611
Transfer from construction in progress	–	–	–	6,873	–	–	6,873
Disposals	(5,979)	–	–	(1,705)	–	(11,046)	(18,730)
At 31 December 2023	**2,824,366**	**2,006,409**	**59,000**	**76,420**	**2,245,552**	**326,372**	**7,538,119**
Additions	**251**	**11**	**–**	**520**	**–**	**–**	**782**
Transfer from construction in progress	**–**	**–**	**–**	**10,326**	**–**	**–**	**10,326**
Disposals	**(150)**	**–**	**–**	**(2,206)**	**–**	**(12,186)**	**(14,542)**
At 31 December 2024	**2,824,467**	**2,006,420**	**59,000**	**85,060**	**2,245,552**	**314,186**	**7,534,685**
AMORTISATION AND IMPAIRMENT							
At 1 January 2023	627,005	23,913	59,000	29,310	846,013	85,490	1,670,731
Amortisation for the year	259,284	985	–	10,528	114,461	14,213	399,471
Write-back on disposals	(5,977)	–	–	(1,426)	–	(11,045)	(18,448)
At 31 December 2023	**880,312**	**24,898**	**59,000**	**38,412**	**960,474**	**88,658**	**2,051,754**
Amortisation for the year	**259,264**	**987**	**–**	**12,389**	**105,599**	**12,925**	**391,164**
Write-back on disposals	**(150)**	**–**	**–**	**(2,195)**	**–**	**(12,185)**	**(14,530)**
Impairment loss recognised in profit or loss	**129**	**–**	**–**	**–**	**–**	**–**	**129**
At 31 December 2024	**1,139,555**	**25,885**	**59,000**	**48,606**	**1,066,073**	**89,398**	**2,428,517**
CARRYING VALUES							
At 31 December 2024	**1,684,912**	**1,980,535**	**–**	**36,454**	**1,179,479**	**224,788**	**5,106,168**
At 31 December 2023	1,944,054	1,981,511	–	38,008	1,285,078	237,714	5,486,365

19. OTHER INTANGIBLE ASSETS (CONTINUED)

At 31 December 2024, the carrying amount of other intangible assets with finite useful lives was RMB3,149,354,000 (2023: RMB3,529,551,000). Other intangible assets with finite useful lives are amortised on a straight-line:

	2024 **RMB'000**	2023 RMB'000
Product protection rights	**1,684,912**	1,944,054
Trademarks	**23,721**	24,697
Software	**36,454**	38,008
Customer relationship	**1,179,479**	1,285,078
Licences and franchises	**224,788**	237,714
Total	**3,149,354**	3,529,551

The amortisation charge for the year is mainly included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2024, the following other intangible assets, trademarks (including brand names) acquired through business combinations, are assessed to have indefinite useful lives. The trademarks have a legal life of 5 years and 10 years respectively but are renewable at minimal cost. The directors of the Company are of the opinion that the Group could renew and maintain the trademarks (including brand names) continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which support that the trademarks (including brand names) have no foreseeable limit to the period over which the products are expected to generate net cash flows for the Group. As a result, the trademarks (including brand names) are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks (including brand names) will not be amortised until the useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in note 20.

	Trademarks	
	2024 **RMB'000**	2023 RMB'000
Tongjitang Group*		
– Tongjitang Pharmaceutical	**209,047**	209,047
– Jingfang	**37,779**	37,779
– Pulante	**5,037**	5,037
Shanghai Tongjitang	**110,403**	110,403
Jiangyin Tianjiang Group	**645,674**	645,674
Jiangyin Yifang Group	**948,874**	948,874
Total	**1,956,814**	1,956,814

* Tongitang Pharmaceutical, Jingfang and Pulante are collectively referred to as Tongjitang Group.

20. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trademarks (including brand names) with indefinite useful lives set out in notes 16 and 19 have been allocated to individual CGUs as below:

	Goodwill		Trademarks	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Manufacture and sale of pharmaceutical products				
Dezhong	**100,391**	100,391	**–**	–
Guangdong Medi-World	**26,055**	26,055	**–**	–
Tongjitang Group				
– Tongjitang Pharmaceutical	**770,153**	770,153	**209,047**	209,047
– Jingfang	**139,184**	139,184	**37,779**	37,779
– Pulante	**–**	–	**5,037**	5,037
Jiangyin Tianjiang	**494,918**	925,154	**645,674**	645,674
Jiangyin Yifang	**1,283,826**	1,283,826	**948,874**	948,874
Shanghai Tongjitang	**111,101**	111,101	**110,403**	110,403
Tongjitang Herbal	**29,433**	29,433	**–**	–
Zhonglian Pharmaceutical	**68,567**	68,567	**–**	–
Sale of pharmaceutical products				
Sinopharm Group Feng Liao Xing (Foshan) Medicinal Material & Slices Co., Ltd. ("Feng Liao Xing Material & Slices")	**2,449**	2,449	**–**	–
Beijing Xiaochengcong Traditional Chinese Medicine Clinic Co., Ltd.("Beijing Xiaochengcong")	**–**	1,590	**–**	–
Total	**3,026,077**	3,457,903	**1,956,814**	1,956,814

20. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

In addition to goodwill and trademarks above, property, plant and equipment, other intangible assets with finite useful lives and right-of-use assets that generate cash flows together with the related goodwill and trademarks are also included in the respective CGUs for the purpose of impairment assessment.

During the year ended 31 December 2024, the management of the Group has recognised an impairment loss of RMB430,236,000 and RMB1,590,000 in relation to goodwill in the CGUs of Jiangyin Tianjiang (2023: Nil) and Beijing Xiaochengcong (2023: Nil), respectively. The impairment loss has been included in profit or loss in the other gains and losses line item.

In the opinion of the directors, no additional impairment loss of other CGUs was identified during the years ended 31 December 2024 and 2023.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The recoverable amounts of the CGUs as at 31 December 2024 have been arrived at based on the valuations carried out on the respective dates by independent qualified professional valuers. The key assumptions used in the valuations are those regarding the discount rates, growth rates, budgeted sales and gross profit margin. The changes in selling prices and costs are based on historical operating records and expectation of future changes in the market. Discount rates applied are able to reflect the current market assessments of the time value of money and the risks specific to the CGUs.

For the purpose of impairment testing, goodwill and other intangible assets with indefinite useful lives have been allocated to the relevant CGUs. The Group determined the value-in-use by preparing cash flow projections of these CGUs derived from the most recent financial forecast approved by the management covering a 5-year period with an average sales growth rate as mentioned below. Cash flows beyond the fifth year are extrapolated using an estimated growth rate as mentioned below. Other key assumptions for the value-in-use calculations relate to the estimation of cash flow projections which include gross margin, such estimation is based on the CGU’s past performance and management’s expectations for the market development. The discount rate reflects specific risks relating to the relevant CGUs.

20. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

	Average growth rate for five-year period		Growth rate beyond the fifth year		Pre-tax discount rates	
	2024	2023	**2024**	2023	**2024**	2023
Jiangyin Tianjiang	**8.32%**	11.93%	**2.30%**	2.30%	**10.09%**	11.20%
Jiangyin Yifang	**7.18%**	11.23%	**2.30%**	2.30%	**9.37%**	11.08%
Dezhong	**8.12%**	15.96%	**2.30%**	2.30%	**13.52%**	12.97%
Tongjitang Pharmaceutical	**13.35%**	14.86%	**2.30%**	2.30%	**12.32%**	12.36%
Jingfang	**10.62%**	13.28%	**2.30%**	2.30%	**11.99%**	11.74%
Shanghai Tongjitang	**4.85%**	4.67%	**2.30%**	2.30%	**9.70%**	11.92%
Others	**(2.90%)-10.65%**	4.28%-11.47%	**2.30%**	2.30%	**9.07%-12.99%**	12.05%-12.95%

As at 31 December 2024, and the recoverable amount for above CGUs, other than Jiangyin Tianjing CGU, exceeds their carrying amount by 2% to 40%.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of the above CGUs that contain goodwill and other intangible assets with indefinite useful lives to exceed their recoverable amounts.

21. INTERESTS IN ASSOCIATES

	2024 **RMB'000**	2023 RMB'000
Cost of investments in associates, unlisted	**48,067**	51,543
Share of post-acquisition losses, other comprehensive expense and reserve movement of associates	**(37,146)**	(39,696)
Total	**10,921**	11,847

21. INTERESTS IN ASSOCIATES (CONTINUED)

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associate	Country of establishment and principal place of operation	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activities
		2024	2023	**2024**	2023	
Mianyang Anju District Feishui Town Tiantai Mountain Chinese Medicine Herbs Planting Professional Cooperatives	The PRC	**37.6%**	37.6%	**37.6%**	37.6%	Chinese Medicine Herbs planting
An District Feishui Town Tianfu Fuzi Professional Cooperatives	The PRC	**37.5%**	37.5%	**37.5%**	37.5%	Fuzi planting
Guangdong Baobaobao Healthy Soup Co., Ltd.	The PRC	**49%**	49%	**49%**	49%	Healthy soup production
Guangdong Haisikanger Rehabilitation Medical Co., Ltd.	The PRC	**40%**	40%	**40%**	40%	Rehabilitation service
Huizhou Gehong TCM Clinics Co., Ltd.	The PRC	**0%**	35%	**0%**	35%	Chinese medical institution
Liaoxingtang (Foshan Nanhai) TCM Clinic Co., Ltd.	The PRC	**35%**	35%	**35%**	35%	Chinese medical institution
Sinopharm Intelligent Technology (Shanghai) Co., Ltd.*	The PRC	**10%**	10%	**10%**	10%	Internet information service for drug

* The Group has power over the associate via voting rights from one board seat of Sinopharm Intelligent Technology (Shanghai) Co., Ltd.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2024 **RMB'000**	2023 RMB'000
The Group's share of losses and total comprehensive expense	**(950)**	(3,699)
Aggregate carrying amount of the Group's interests in associates	**10,921**	11,847

22. DEPOSITS AND PREPAYMENTS

	2024 **RMB'000**	2023 RMB'000
Prepayments for acquisition of property, plant and equipment	**65,446**	57,577

23. TRADE AND OTHER RECEIVABLES

	2024 **RMB'000**	2023 RMB'000
Trade receivables	**8,392,206**	9,289,650
Less: Allowance for credit losses	**(223,216)**	(118,367)
Net carrying amount	**8,168,990**	9,171,283
Prepayments	**68,780**	133,641
Advance tax payments	**160,681**	203,094
Other receivables	**199,164**	209,861
Less: Allowance for credit losses	**(31,103)**	(31,235)
Subtotal	**397,522**	515,361
Total	**8,566,512**	9,686,644

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows a credit period within 365 days to trade customers including distributors, hospitals and medical institutions.

The ageing analysis of the Group's trade receivables at the end of each reporting period, based on invoice date are as follows:

	2024 **RMB'000**	2023 RMB'000
0 to 90 days	**4,377,309**	5,371,081
91 to 180 days	**1,738,053**	1,941,711
181 to 365 days	**1,813,051**	1,893,764
Over 365 days	**463,793**	83,094
Total	**8,392,206**	9,289,650

As at 31 December 2024, included in the Group's trade receivables balance were debtors with an aggregate carrying amount of RMB1,519,201,000 (2023: RMB1,315,041,000) which were past due as at the reporting date.

Included in trade and other receivables are RMB25,057,000 (2023: RMB12,664,000) and RMB10,036,000 (2023: RMB20,382,000), which are denominated in HK$ and US$ respectively, the currencies other than functional currencies of the relevant group entities.

The movements in the loss allowance for impairment of trade and other receivables are as follows:

	31 December **2024** **RMB'000**	31 December 2023 RMB'000
At the beginning of the year	**149,602**	143,230
Impairment losses, net (note 8)	**105,827**	8,779
Amount written off as uncollectible	**(1,110)**	(2,409)
Acquisition of a subsidiary	**–**	2
At the end of the year	**254,319**	149,602

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two year and are not subject to enforcement activity.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

Group A

	Aging Less than 1 year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate (%)	**0.52**	**37.17**	**100**	**1.91**
Gross carrying amount (RMB'000)	**5,383,232**	**177,261**	**12,809**	**5,573,302**
Expected credit losses (RMB'000)	**28,013**	**65,886**	**12,809**	**106,708**

Group B

	Aging Less than 1 year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate (%)	**1.82**	**26.45**	**100**	**5.69**
Gross carrying amount (RMB'000)	**843,322**	**118,016**	**8,660**	**969,998**
Expected credit losses (RMB'000)	**15,328**	**31,210**	**8,660**	**55,198**

Group C

	Aging Less than 1 year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate (%)	**0.94**	**25.51**	**100**	**3.32**
Gross carrying amount (RMB'000)	**1,701,859**	**136,578**	**10,469**	**1,848,906**
Expected credit losses (RMB'000)	**16,003**	**34,838**	**10,469**	**61,310**

TOTAL

	Aging Less than 1 year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate (%)	**0.75**	**30.56**	**100**	**2.66**
Gross carrying amount (RMB'000)	**7,928,413**	**431,855**	**31,938**	**8,392,206**
Expected credit losses (RMB'000)	**59,344**	**131,934**	**31,938**	**223,216**

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2023

Group A

	Aging Less than 1 year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate (%)	0.15	70.57	100.00	0.61
Gross carrying amount (RMB'000)	5,534,509	24,634	8,062	5,567,205
Expected credit losses (RMB'000)	8,303	17,383	8,062	33,748

Group B

	Aging Less than 1 year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate (%)	2.00	56.67	100.00	3.26
Gross carrying amount (RMB'000)	709,557	13,115	2,031	724,703
Expected credit losses (RMB'000)	14,191	7,432	2,031	23,654

Group C

	Aging Less than 1 year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate (%)	1.19	69.93	100.00	2.03
Gross carrying amount (RMB'000)	2,962,489	31,637	3,616	2,997,742
Expected credit losses (RMB'000)	35,224	22,125	3,616	60,965

TOTAL

	Aging Less than 1 year	1 to 2 Years	Over 2 Years	Total
Expected credit loss rate (%)	0.63	67.65	100.00	1.27
Gross carrying amount (RMB'000)	9,206,555	69,386	13,709	9,289,650
Expected credit losses (RMB'000)	57,718	46,940	13,709	118,367

24. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2024 and 2023 that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as other borrowings (see note 32). These financial assets are carried at amortised cost in the consolidated statement of financial position.

	Bills discounted to banks with full recourse	
	2024	2023
	RMB'000	RMB'000
Carrying amount of transferred assets	**7,631**	22,475
Carrying amount of associated liabilities	**(7,631)**	(22,475)
Net position	**–**	–

25. INVENTORIES

	2024	2023
	RMB'000	RMB'000
Raw materials	**1,104,406**	1,754,470
Work in progress	**1,630,106**	1,834,172
Finished goods	**2,048,587**	2,370,507
Total	**4,783,099**	5,959,149

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024	2023
	RMB'000	RMB'000
Carrying amount of inventories sold	**8,580,224**	8,837,723
Write down of inventories	**73,176**	9,646
Total	**8,653,400**	8,847,369

26. DEBT INSTRUMENTS AT FVTOCI

The amounts represent the bills receivable that were held under the "hold to collect and sell" business model and the ageing analysis based on invoice date at the end of each reporting period are as follows:

	2024 RMB'000	2023 RMB'000
0 to 90 days	**1,054,997**	540,450
91 to 180 days	**408,603**	339,391
181 to 365 days	**5,638**	6,936
Total	**1,469,238**	886,777

As at 31 December 2024, certain amount of the bills receivable with the carrying value of RMB62,648,000 (2023: RMB213,481,000) was pledged to secure bills payable granted to the Group.

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Pledged bank deposits

The amounts represent the guarantee deposits for bills payables and carry interest at market rates ranging from 0.10% to 1.70% per annum (2023: 0.20% to 1.80%).

(b) Bank balances and cash

Included in bank balances and cash is RMB3,798,425,000 (2023: RMB2,986,819,000) which represents cash held by the Group and short-term deposits carrying interest at prevailing market rates ranging from 0.10% to 1.3% per annum (2023: 0.10% to 2.0% per annum) with original maturity of three months or less.

The remaining of bank balances and cash is RMB68,486,000 (2023: RMB30,499,000), in which RMB48,165,000 (2023: RMB19,661,000) represents the cash collected on behalf of financial institutions that entered into the non-recourse factoring arrangements of trade receivables with the Group.

Included in pledged bank deposits/bank balances and cash are RMB9,635,000 (2023:RMB13,789,000) and RMB639,000 (2023: RMB1,813,000), which are denominated in HK$ and US$ respectively, the currencies other than functional currencies of the relevant group entities.

Details of impairment assessment of pledged bank deposits/bank balances and cash are set out in note 39.

28. TRADE AND OTHER PAYABLES

	2024 **RMB'000**	2023 RMB'000
Trade payables	**1,432,901**	1,689,929
Deposits received	**1,015,315**	1,083,413
Salaries and welfare payables	**528,859**	459,795
Other tax payables	**185,091**	168,947
Accruals of operating expenses	**908,072**	962,296
Bills payables	**803,992**	1,052,727
Dividends payable	**29,345**	65,204
Consideration payable for acquisition of subsidiaries	**3,550**	3,586
Collection of accounts receivable on behalf of financial institutions that entered into the non-recourse factoring arrangement with the Group	**48,165**	19,661
Refund liabilities	**28,733**	–
Other payables	**453,622**	544,149
Total	**5,437,645**	6,049,707

The ageing analysis of the Group's trade and bills payables based on invoice date at the end of each reporting period are as follows:

	2024 **RMB'000**	2023 RMB'000
0 to 90 days	**1,479,694**	2,129,680
91 to 180 days	**527,182**	458,940
181 to 365 days	**160,895**	107,337
Over 365 days	**69,122**	46,699
Total	**2,236,893**	2,742,656

Included in trade and other payables is RMB1,361,000 (2023: RMB1,438,000), which is denominated in HK$, the currency other than functional currency of the relevant group entities.

29. CONTRACT LIABILITIES

	2024 **RMB'000**	2023 RMB'000
Amounts received in advance of delivery products	**185,192**	210,506

Contract liabilities as at 1 January 2024 and 2023 were fully recognised as revenue for the years ended 31 December 2024 and 2023, respectively.

The Group has elected the practical expedient of not to disclose information about the remaining performance obligations as the majority of the services have original expected duration of one year or less or the services are rendered in a short period of time.

30. DEFERRED GOVERNMENT GRANTS

The movements in deferred government grants as stated under non-current liabilities are as follows:

	2024 **RMB'000**	2023 RMB'000
At the beginning of the year	**421,291**	437,839
Additions	**17,795**	25,295
Credited to profit or loss (note 6)	**(42,782)**	(41,843)
At the end of the year	**396,304**	421,291

As at 31 December 2024, deferred government grants of the Group mainly includes various conditional government grants relating to purchase of property, plant and equipment. Such deferred government grants will be recognised as income on a straight-line basis over the expected useful life of the relevant assets.

31. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 **RMB'000**	2023 RMB'000
Deferred tax assets	**(219,977)**	(219,480)
Deferred tax liabilities	**1,042,460**	1,187,045
Total	**822,483**	967,565

31. DEFERRED TAXATION (CONTINUED)

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the current and prior years are as follows:

	Excess of fair value over the carrying amounts for intangible assets RMB'000	Depreciation allowance in excess of related depreciation RMB'000	ECL provision RMB'000	Fair value changes of debt instruments at FVTOCI RMB'000	Withholding tax on distributable profits of PRC subsidiaries RMB'000	Unrealised inter-segment profit RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	1,448,463	91,928	(34,499)	(984)	63,452	(51,069)	(5,345)	(94,704)	1,417,242
Acquisition of a subsidiary	–	–	–	–	–	–	–	12	12
(Credited)/charged to profit or loss	(407,081)	2,823	(1,902)	–	31,767	8,452	(361)	(21,441)	(387,743)
Credit to other comprehensive income	–	–	–	(218)	–	–	–	–	(218)
Release upon dividends declared	–	–	–	–	(61,728)	–	–	–	(61,728)
At 31 December 2023	1,041,382	94,751	(36,401)	(1,202)	33,491	(42,617)	(5,706)	(116,133)	967,565
(Credited)/charged to profit or loss	(95,493)	3,469	(18,316)	–	843	(6,013)	(184)	(9,661)	(125,355)
Credit to other comprehensive income	–	–	–	(799)	–	–	–	–	(799)
Release upon dividends declared	–	–	–	–	(18,928)	–	–	–	(18,928)
At 31 December 2024	945,889	98,220	(54,717)	(2,001)	15,406	(48,630)	(5,890)	(125,794)	822,483

31. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group had unused tax losses of RMB1,970,313,000 (2023: RMB1,590,731,000) available for offset against future profits. A deferred tax asset of RMB5,890,000 (2023: RMB5,706,000) has been recognised in respect of RMB33,577,000 (2023: RMB43,051,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,936,736,000 (2023: RMB1,547,680,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses with expiry dates as disclosed in the following table:

	2024	2023
	RMB'000	RMB'000
2024	**–**	105,013
2025	**105,555**	105,555
2026	**339,425**	339,425
2027	**209,192**	209,192
2028	**36,236**	36,236
2029	**276,325**	35,381
2030	**112,802**	112,802
2031	**220,621**	220,621
2032	**143,685**	143,685
2033	**239,770**	239,770
2034	**253,125**	–
Total	**1,936,736**	1,547,680

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB8,530,624,000 (2023: RMB8,616,604,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that these temporary differences will not be reversed in the foreseeable future.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans	**1,964,320**	2,467,007
Other loans	**732,994**	567,013
Total	**2,697,314**	3,034,020
Secured	**492,113**	535,783
Unsecured	**2,205,201**	2,498,237
Total	**2,697,314**	3,034,020

	2024 RMB'000	2023 RMB'000
Carrying amounts of the above borrowings are repayable:		
Within one year	**2,078,923**	2,120,207
More than one year, but not exceeding two years	**521,123**	319,817
More than two years, but not exceeding five years	**54,118**	577,179
More than five years	**43,150**	16,817
Total	**2,697,314**	3,034,020
Less: Amounts due within one year shown under current liabilities	**2,078,923**	2,120,207
Amounts shown under non-current liabilities	**618,391**	913,813

As at 31 December 2024, secured other borrowings amounting to RMB7,631,000 were guaranteed by bills receivable (2023: RMB22,475,000).

	2024 RMB'000	2023 RMB'000
Fixed rate borrowings	**1,863,399**	2,891,020
Floating rate borrowings	**833,975**	143,000
Total	**2,697,314**	3,034,020

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2024	2023
Effective interest rate		
– Fixed rate borrowings	**0.29%-4.75%**	0.00%-4.75%
– Floating rate borrowings	**2.30%-4.10%**	3.40%-4.35%

The Group's floating rate borrowings carried interest from Loan Prime Rate ("LPR") less 1.15% to LPR plus 0.15% (2023: LPR plus 0.05%).

At the end of the reporting period, the Group had the following undrawn borrowing facilities:

	2024 **RMB'000**	2023 RMB'000
– expiring within one year	**8,183,160**	3,189,410
– expiring beyond one year	**1,306,895**	3,314,617
Total	**9,490,055**	6,504,027

(a) The following assets were pledged as securities for bills payable and interest-bearing bank and other borrowings:

	Carrying value	
	31 December **2024** **RMB'000**	31 December 2023 RMB'000
Property, plant and equipment	**614,842**	672,502
Right-of-use assets	**50,420**	91,902
Debt instruments at FVTOCI	**62,648**	213,481
Pledged bank deposits	**153,743**	249,958
Total	**881,653**	1,227,843

33. UNSECURED NOTES

	2024	2023
	RMB'000	RMB'000
Carrying amount repayable	**1,220,687**	2,027,652
Less: Amounts due within one year shown under current liabilities	**22,388**	830,540
Amounts shown under non-current liabilities	**1,198,299**	1,197,112

On 18 May 2023, the Company issued the medium-term notes in an aggregate amount of RMB1,200,000,000, with a maturity of three years and a coupon rate of 3.04% per annum.

On 14 April 2024, the Company fully repaid the short-term commercial papers amounting to RMB800,000,000 which were issued on 17 July 2023.

34. SHARE CAPITAL OF THE COMPANY

	Number of shares		**Share capital**	
	2024	2023	**2024**	2023
	'000	'000	**RMB'000**	RMB'000
Authorised	Unlimited number of ordinary shares with no par value			
Issued and fully paid	**5,035,801**	5,035,801	**11,982,474**	11,982,474

35. DEFINED BENEFIT OBLIGATIONS

The Group undertook the expense related to both the retirement and the early retirement schemes for the medical and social welfare of those early retired and retired employees. The Group recognised the relevant estimated liabilities as well as charges to profit or loss once the Group undertook the obligations. These benefits are unfunded.

Where these schemes fall due more than 12 months after the end of reporting period, they were discounted using the appropriate discount rate, and carried at discounted amounts as liabilities. The discount rate was determined using the yield rate of government bonds with similar terms at the date of the financial statements.

Actuarial gains or losses included the experience adjustment (the impact of difference between the previous actuarial assumption and actual results) and the impact of changes on actuarial assumption. The actuarial gains or losses were recognised in other comprehensive income when incurred and will not be reclassified to profit or loss in a subsequent period.

Interest expense is charged to profit or loss and is derived from the discount rate determined at the commencement of the retirement scheme within an accounting period and the early retirement scheme multiplying with the average present value over the entire terms.

The principal actuarial assumptions used as at the end of the reporting are as follows:

Discount rates:	1.75%
Expected rate of future pension cost increases:	0%/6.00%

36. OPERATING LEASES

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next 5 years.

Minimum lease payments receivable on leases are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**8,602**	3,946
In the second year	**6,297**	2,776
In the third year	**2,288**	2,689
In the fourth year	**1,431**	564
In the fifth year	**51**	193
After the fifth year	**507**	–
Total	**19,176**	10,168

37. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Contracted but not provided for in the consolidated financial statements		
– Acquisition of other intangible assets	**459**	5,613
– Acquisition of property, plant and equipment (note a)	**39,127**	147,257
Total	**39,586**	152,870

Note:

(a) Pursuant to the cooperation agreement entered into by the Group, and the cooperation agreement between the Group and relevant engineering constructors and equipment suppliers carries out a series of engineering project construction and equipment procurement applications, and improves the production technology level and production scale to support the business development requirements of the Company.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year. The capital structure of the Group consists of net debt, which includes lease liabilities, interest-bearing bank and other borrowings, and unsecured notes as disclosed in notes 18, 32 and 33 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) less cash and cash equivalents. Adjusted capital comprises all components of equity.

The adjusted debt-to-equity ratios at 31 December 2024 and 2023 are as follows:

	2024 **RMB'000**	2023 RMB'000
Current liabilities:		
Interest-bearing bank and other borrowings	**2,078,923**	2,120,207
Unsecured notes	**22,388**	830,540
Total – current	**2,101,311**	2,950,747
Non-current liabilities:		
Interest-bearing bank and other borrowings	**618,391**	913,813
Unsecured notes	**1,198,299**	1,197,112
Total – non-current	**1,816,690**	2,110,925
Total debt	**3,918,001**	5,061,672
Less: Cash and cash equivalents	**3,798,425**	2,986,819
Adjusted net debt	**119,576**	2,074,853
Total equity	**23,933,034**	23,936,618
Adjusted net debt-to-equity ratio	**1%**	9%

The Group is not subject to externally imposed capital requirements except for financial covenants relating to certain of the banking facilities of the Group. The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Debt instrument at FVTOCI RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Debt instruments at FVTOCI	**1,469,238**	**–**	**1,469,238**
Financial assets included in trade and other receivables	**–**	**8,337,051**	**8,337,051**
Pledged bank deposits	**–**	**153,743**	**153,743**
Cash and cash equivalents	**–**	**3,866,911**	**3,866,911**
Total	**1,469,238**	**12,357,705**	**13,826,943**

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in trade and other payables	**4,723,695**	**4,723,695**
Interest-bearing bank and other borrowings	**2,697,314**	**2,697,314**
Unsecured notes	**1,220,687**	**1,220,687**
Lease liabilities	**97,637**	**97,637**
Total	**8,739,333**	**8,739,333**

39. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

2023

Financial assets

	Debt instrument at FVTOCI RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Debt instruments at FVTOCI	886,777	–	886,777
Financial assets included in trade and other receivables	–	9,349,909	9,349,909
Pledged bank deposits	–	249,958	249,958
Cash and cash equivalents	–	3,017,318	3,017,318
Total	886,777	12,617,185	13,503,962

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in trade and other payables	5,409,005	5,409,005
Interest-bearing bank and other borrowings	3,034,020	3,034,020
Unsecured notes	2,027,652	2,027,652
Lease liabilities	98,462	98,462
Total	10,569,139	10,569,139

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, debt instruments at FVTOCI, time deposits, pledged bank deposits, bank balances and cash, trade and other payables, lease liabilities, unsecured notes and interest-bearing bank and other borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity for the years ended 31 December 2024 and 2023 to a reasonably possible change by 5% in the RMB exchange rates against HK$ and US$, with all other variables held constant, of the Group's profit before tax due to changes in the fair values of monetary assets and liabilities.

	2024 **RMB'000**	2023 RMB'000
If HK$ weakens against RMB by 5% Decrease in profit before tax	**(1,301)**	(992)
If HK$ strengthens against RMB by 5% Increase in profit before tax	**1,301**	992
If USD weakens against RMB by 5% Decrease in profit before tax	**(400)**	(832)
If USD strengthens against RMB by 5% Increase in profit before tax	**400**	832

The Group manages the foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group currently does not have a foreign exchange hedging policy. Management will consider hedging foreign currency exposure should the need arise.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings and unsecured notes. The Group is exposed to cash flow interest rate risk in relation to the floating rate borrowings. The Group does not have any interest rate hedging policy. However, the management monitors the related interest rate risk exposure closely and will consider hedging the interest rate risk exposure should the need arise.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate of 50 basis points, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in the Group's profit before tax	
	2024	2023
	HK$'000	HK$'000
If decrease by 50 basis points	**376**	850
If increase by 50 basis points	**(376)**	(850)

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2024.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Debt instrument at FVTOCI	**1,469,238**	–	–	–	**1,469,238**
Trade receivables*	–	–	–	**8,392,206**	**8,392,206**
Financial assets included in other receivables					
– Normal**	**199,164**	–	–	–	**199,164**
Pledged deposits					
– Not yet past due	**153,743**	–	–	–	**153,743**
Cash and cash equivalents					
– Not yet past due	**3,866,911**	–	–	–	**3,866,911**

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2023.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Debt instrument at FVTOCI	886,777	–	–	–	886,777
Trade receivables*	–	–	–	9,289,650	9,289,650
Financial assets included in other receivables					
– Normal**	209,861	–	–	–	209,861
Pledged deposits					
– Not yet past due	249,958	–	–	–	249,958
Cash and cash equivalents					
– Not yet past due	3,017,318	–	–	–	3,017,318

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of the financial assets included in other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at 31 December 2024 and 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging (continued)

Before accepting any new customer, the management of the Group carries out researches on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group only accepts bills issued or guaranteed by reputable PRC. In addition, the Group reviews the recoverability of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group performs impairment test assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix.

The credit risk on liquid funds is limited because the counterparties are state-owned banks and banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and different regions of the PRC.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
31 December 2024					
Trade and other payables	**4,723,695**	**–**	**–**	**4,723,695**	**4,723,695**
Interest-bearing bank and other borrowings	**2,157,662**	**625,655**	**40,896**	**2,824,213**	**2,697,314**
Unsecured note	**36,480**	**1,209,995**	**–**	**1,246,475**	**1,220,687**
Lease liabilities	**22,643**	**54,371**	**20,797**	**97,811**	**97,637**
Total	**6,940,480**	**1,890,021**	**61,693**	**8,892,194**	**8,739,333**

	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
31 December 2023					
Trade and other payables	5,409,005	–	–	5,409,005	5,409,005
Interest-bearing bank and other borrowings	2,153,396	980,951	2,233	3,136,580	3,034,020
Unsecured note	850,209	1,272,960	–	2,123,169	2,027,652
Lease liabilities	23,330	74,524	17,462	115,316	98,462
Total	8,435,940	2,328,435	19,695	10,784,070	10,569,139

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value		Fair value hierarchy	Valuation techniques(s) and key input(s)	Sensitivity of fair value of the input(s)
	2024	2023			
Financial assets at FVTOCI					
Debt instrument at FVTOCI	**1,469,238**	886,777	Level 3	Discounted cash flow at a discount rate that reflects the issuer's current discount rate at the end of the reporting period	1% (2023:1%) increase/decrease in the discount rate would result in decrease/increase in the fair value by RMB138,000 (2023: RMB79,000).

There were no transfers between Level 1 and 3 during both years.

Except as disclosed below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

Unsecured notes

	2024	2023
	RMB'000	RMB'000
Carrying amount	**1,220,687**	2,027,652
Fair value under level 2 fair value hierarchy	**1,221,741**	2,018,958

The fair values of the financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Company.

40. RELATED PARTY TRANSACTIONS

Key management remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and certain of the highest paid employees as disclosed in notes 12 and 13, is as follows:

	2024 **RMB'000**	2023 RMB'000
Short-term employee benefits	**9,857**	12,912
Post-employments benefits	**476**	508
Total	**10,333**	13,420

Other related party transactions

Name of related party	**Relationship**
CNPGC	Ultimate controlling party
CNPGC's subsidiaries other than the Group	Fellow subsidiaries of the Group
Ping An Bank	Fellow subsidiary of a substantial shareholder

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions:

		2024 **RMB'000**	2023 RMB'000
(i)	Sales of finished goods to CNPGC's subsidiaries other than the Group	**1,298,907**	1,193,803
(ii)	Purchase of raw materials from CNPGC's subsidiaries other than the Group	**119,267**	167,519
(iii)	Obtain of Commercial Factoring Services from Sinopharm Puxin Commercial Factoring Company Limited	**–**	47,448
(iv)	Other purchase from CNPGC's subsidiaries other than the Group	**16,839**	24,863
(v)	Rental income from CNPGC's subsidiaries other than the Group	**3,218**	2,963
(vi)	Interest income from CNPGC's subsidiaries other than the Group	**2,144**	23
(vii)	Interest income from Ping An Bank	**19**	127
(viii)	Interest expense to CNPGC's subsidiaries other than the Group	**226**	93
(ix)	Interest expense to Ping An Bank	**7**	4

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions (continued)

Particulars of significant balances between the Group and the related parties are as follows:

		2024 **RMB'000**	2023 RMB'000
(i)	Trade and other receivable balances due from CNPGC's subsidiaries other than the Group as included in trade and other receivables balances set out in note 23	**634,715**	787,903
(ii)	Trade and other payable balances due to CNPGC's subsidiaries other than the Group as included in trade and other payables balances set out in note 28	**60,437**	42,385
(iii)	Time deposits and bank deposits placed in CNPGC's subsidiaries other than the Group as included in bank balances and cash set out in note 27	**582,125**	586,714
(iv)	Borrowings due to CNPGC's subsidiaries other than the Group as interest-bearing bank and other borrowings set out in note 32	**400,000**	–
(v)	Bank deposits placed in Ping An Bank as included in bank balances and cash set out in note 27	**2,963**	7,046

Borrowings in related party balance (iv) represented short-term loans borrowed from Sinopharm Group Finance Co., Ltd. at rates 2.15% per annum (2023: nil), which have repayment terms within 1 year.

The above related party transactions (i), (ii), (iii) and related party balances (iii) constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Continuing Connected transactions" of the section headed "Report of the Directors" of the annual report.

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions/balances with other state-controlled entities

The Group itself is part of a large group of companies under CNPGC, which is controlled by the government of the PRC. Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the consolidated financial statements, the Group also conducts businesses with entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("state-controlled entities") in the ordinary course of business. The directors of the Company consider those entities other than the CNPGC group are independent third parties as far as the Group's business transactions with them are concerned. In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counterparty is a state-controlled entity or not. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the consolidated financial statements.

The Group has bank balances deposited in and entered into various transactions, including sales, purchases, borrowings and other operating expenses, with other state-controlled entities during the current year in which the directors of the Company are of the opinion that it is impracticable to ascertain the identity of the controlling parties of these counterparties and accordingly whether the counterparties are state-controlled entities.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other payables RMB'000	Lease liabilities RMB'000	Interest-bearing bank and other borrowings RMB'000	Unsecured notes RMB'000	Dividend payable RMB'000	Dividend payable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	30,089	79,636	1,721,328	3,241,610	1,410	97,513	5,171,586
Financing cash flows	(30,089)	(26,094)	1,221,160	(1,303,374)	(240,000)	(93,924)	(472,321)
Net foreign exchange gain	–	–	–	–	4,033	–	4,033
Dividend recognised	–	–	–	–	235,995	60,177	296,172
New leases entered	–	16,658	–	–	–	–	16,658
Interest expense	–	3,469	76,289	89,416	–	–	169,174
Non-cash items	–	–	15,243	–	–	–	15,243
Acquisition of a subsidiary	–	24,793	–	–	–	–	24,793
At 31 December 2023 and 1 January 2024	–	98,462	3,034,020	2,027,652	1,438	63,766	5,225,338
Financing cash flows	–	(30,524)	(459,831)	(850,172)	–	(52,212)	(1,392,739)
Net foreign exchange gain	–	–	–	–	32	–	32
Dividend recognised	–	–	–	–	–	16,321	16,321
New leases entered	–	55,787	–	–	–	–	55,787
Interest expense	–	6,247	123,125	43,207	–	–	172,579
Disposal of right-of-use assets	–	(32,335)	–	–	–	–	(32,335)
At 31 December 2024	–	97,637	2,697,314	1,220,687	1,470	27,875	4,044,983

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

Details of subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2024	2023	**2024**	2023	
Directly held the Company						
Jiangyin Yifang Pharmaceutical Co., Ltd.	The PRC	**RMB84,555,556**	RMB84,555,556	**87.3%**	87.3%	Manufacture of TCM Products
Jiangyin Tianjiang Enterprise Co., Ltd.	The PRC	**RMB3,005,467,800**	RMB3,005,467,800	**100%**	100%	Manufacture and management of TCM Products
Indirectly held the Company						
Jiangyin Tianjiang Pharmaceutical Co., Ltd.#	The PRC	**RMB310,000,000**	RMB310,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM granules
Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd.#	The PRC	**USD6,460,000**	USD6,460,000	**98.3%**	98.3%	Development, manufacture and sale of Chinese pharmaceutical products
Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.#	The PRC	**USD7,526,100**	USD7,526,100	**98%**	98%	Development, manufacture and sale of Chinese pharmaceutical products
Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd.*	The PRC	**USD172,640,000**	USD172,640,000	**100%**	100%	Development, manufacture and sale of pharmaceutical products and investment holding
Sinopharm Group Luya (Shandong) Pharmaceutical Co., Ltd.#	The PRC	**RMB24,529,300**	RMB24,529,300	**100%**	100%	Manufacture and sale of pharmaceutical products
Sinopharm Group Feng Liao Xing (Foshan) Medicinal Material & Slices Co., Ltd.^	The PRC	**RMB1,543,800,000**	RMB1,543,800,000	**100%**	100%	Manufacture and sale of TCM decoction products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2024	2023	**2024**	2023	
Indirectly held the Company (continued)						
Feng Liao Xing (Zhongshan) Pharmaceutical Co., Ltd.^	The PRC	**RMB26,000,000**	RMB26,000,000	**100%**	100%	Retail of Pharmaceuticals and decoction Pharmaceutical
Foshan Winteam Pharmaceutical Sales Co., Ltd.^	The PRC	**RMB260,000,000**	RMB260,000,000	**100%**	100%	Trading of pharmaceutical products
Sinopharm Group Feng Liao Xing Traditional Chinese Medicine Health Industry Co., Ltd.^	The PRC	**RMB119,917,100**	RMB119,917,100	**100%**	100%	Investment of the TCM health industry
Guizhou Tongjitang Pharmacy Chain Co., Ltd.^	The PRC	**RMB5,000,000**	RMB5,000,000	**60%**	60%	Retail of pharmaceuticals
Huayi Pharmaceutical Co., Ltd.@	The PRC	**–**	RMB139,000,000	**0%**	100%	Development, manufacture, and sale of TCM products
Sinopharm Wuzhai Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB30,000,000**	RMB30,000,000	**87.3%**	87.3%	Manufacture and sale of TCM decoction products
Jilin Baiqi Pharmaceutical Co., Ltd.^	The PRC	**RMB180,450,000**	RMB180,450,000	**65%**	65%	Development, manufacture, and sale of TCM products
Shanghai Tongjitang Pharmaceutical Co., Ltd.^	The PRC	**RMB80,000,000**	RMB80,000,000	**100%**	100%	Manufacture and sale of TCM decoction products
Guizhou Tongjitang Herbal Co., Ltd.^	The PRC	**RMB60,000,000**	RMB60,000,000	**100%**	100%	Manufacture and sale of TCM decoction products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2024	2023	**2024**	2023	
Indirectly held the Company (continued)						
Shandong Zhongping Pharmaceutical Co., Ltd.^	The PRC	**RMB300,000,000**	RMB300,000,000	**44.5%**	44.5%	Manufacture of TCM Products
Shanxi Guoxin Tianjiang Pharmaceutical Co., Ltd. ^~	The PRC	**RMB102,040,800**	RMB102,040,800	**44.5%**	44.5%	Development, manufacture, and sale of TCM products
Lixian Dahuang Technology and Science Co., Ltd. ^	The PRC	**RMB94,613,000**	RMB94,613,000	**74.2%**	74.2%	Development, manufacture, and sale of TCM decoction products
Xihebanxia Technology and Science Co., Ltd.^~	The PRC	**RMB99,870,000**	RMB99,870,000	**44.5%**	44.5%	Development, manufacture, and sale of TCM decoction products
Jiangxi Yifang Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB250,000,000**	RMB220,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM
Jiangxi Fanglian Pharmaceutical Co., Ltd.^	The PRC	**RMB5,000,000**	RMB5,000,000	**87.3%**	87.3%	Sale of TCM products
Heilongjiang Sinopharm Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB200,000,000**	RMB121,460,000	**87.3%**	87.3%	Manufacture and sale of TCM
Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd.^	The PRC	**RMB39,000,000**	RMB39,000,000	**100%**	100%	Development, manufacture, marketing and sale of medicine products
Sinopharm Pulante (Qinghai) Pharmaceutical Co., Ltd.^	The PRC	**RMB87,520,000**	RMB87,520,000	**100%**	100%	Development, manufacture, marketing and sale of medicine products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2024	2023	**2024**	2023	
Indirectly held the Company (continued)						
Guangdong Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB364,491,680**	RMB364,491,680	**87.3%**	87.3%	Development, manufacture, and sale of TCM granules
Longxi Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB100,000,000**	RMB100,000,000	**87.3%**	87.3%	Manufacture and sale of TCM products
Longxiyifang Pharmaceutical Company Limited^	The PRC	**RMB50,000,000**	RMB50,000,000	**87.3%**	87.3%	Sale of TCM products
Anhui Tianxiang Pharmaceutical Co., Ltd.^	The PRC	**RMB110,000,000**	RMB110,000,000	**87.3%**	87.3%	Manufacture and sale of TCM products
Jiangyin Tianjiang Chinese Medical Clinics Co., Ltd.^~	The PRC	**RMB11,500,000**	RMB11,500,000	**44.5%**	44.5%	Retail of pharmaceuticals and provision of TCM consultation services
Chongqing Tianjiang Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB190,000,000**	RMB190,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM products
Yunnan Tianjiang Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB200,000,000**	RMB200,000,000	**52.4%**	52.4%	Development, manufacture and sale of TCM products
Sinopharm Tianxiong Pharmaceutical Co., Ltd.^	The PRC	**RMB150,500,000**	RMB150,500,000	**82.7%**	82.7%	Manufacture and sale of TCM products
Shandong Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB300,000,000**	RMB300,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2024	2023	**2024**	2023	
Indirectly held the Company (continued)						
Zhejiang Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB100,000,000**	RMB100,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM products
Shaanxi Yifang Pingkang Pharmaceutical Co., Ltd.^	The PRC	**RMB390,000,000**	RMB390,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM products
Shaanxi Jitaining Pharmaceutical Co., Ltd.^	The PRC	**RMB2,000,000**	RMB2,000,000	**87.3%**	87.3%	Sale of TCM products
Hunan Yifang Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB200,000,000**	RMB200,000,000	**82.5%**	79.4%	Development, manufacture and sale of TCM products
Changde Yifan Pharmaceutical Co., Ltd.^	The PRC	**RMB20,000,000**	RMB20,000,000	**79.4%**	79.4%	Sale of TCM products
Sichuan Tianhao Pharmaceutical Co., Ltd.^	The PRC	**RMB10,000,000**	RMB10,000,000	**82.7%**	82.7%	Manufacture and sale of TCM products
Guangxi Yifang Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB200,000,000**	RMB200,000,000	**44.5%**	44.5%	Development, manufacture and sale of TCM
Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd.^	The PRC	**RMB244,383,898**	RMB244,383,898	**100%**	100%	Manufacture and sale of TCM decoction products
Heilongjiang Sinopharm Medical Material Co., Ltd.^	The PRC	**RMB30,000,000**	RMB30,000,000	**100%**	100%	Sale of medical herbs
Sichuan Jiangyou Zhongbafuzi Technology Development Co., Ltd.^	The PRC	**RMB54,200,000**	RMB54,200,000	**100%**	100%	Manufacture and sale of TCM decoction products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2024	2023	**2024**	2023	
Indirectly held the Company (continued)						
Anhui Fengliaoxing TCM Decoction Pieces Co., Ltd.^	The PRC	**RMB28,595,300**	RMB28,595,300	**51%**	51%	Manufacture and sale of TCM decoction products
Taizhou Tianjiang Pharmaceutical Co., Ltd.^~	The PRC	**RMB70,000,000**	RMB70,000,000	**87.3%**	87.3%	Manufacture and sale of TCM products
Sichuan Sinopharm Tianjiang Pharmaceutical Co., Ltd.^~	The PRC	**RMB233,061,200**	RMB233,061,200	**53.22%**	53.22%	Development, manufacture and sale of TCM
Fujian Tianjiang Pharmaceutical Co., Ltd.^~	The PRC	**RMB136,500,000**	RMB136,500,000	**44.5%**	44.5%	Development, manufacture and sale of TCM
Heilongjiang Sinopharm Shuanglanxing Pharmaceutical Co., Ltd. ^~	The PRC	**RMB89,981,200**	RMB89,981,200	**44.5%**	44.5%	Development, manufacture and sale of TCM
Guangdong Jiuan Pharmaceutical Marketing Service Co., Ltd.^	The PRC	**RMB100,000,000**	RMB100,000,000	**100%**	100%	Marketing, advertising and consulting of TCM
Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.*	The PRC	**RMB249,759,458**	RMB249,759,458	**100%**	100%	Development, manufacture, marketing and sale of TCM products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2024	2023	**2024**	2023	
Indirectly held the Company (continued)						
Sinopharm Group Zhonglian Pharmaceutical Co., Ltd.^~	The PRC	**RMB622,280,661**	RMB622,280,661	**44.5%**	44.5%	Development, manufacture and sale of TCM
Foshan Nanhai Golden Footwear Co., Ltd. ^	The PRC	**RMB207,697,944**	RMB207,697,944	**100%**	100%	Property leasing
Gansu Longzhong Pharmaceutical Co., Ltd.^	The PRC	**RMB50,000,000**	RMB50,000,000	**44.5%**	44.5%	Manufacture and sale of TCM decoction products
Beijing Xiaochengcong Traditional Chinese Medicine Clinic Co., Ltd.	The PRC	**RMB20,000,000**	RMB20,000,000	**75%**	75%	TCM Healthcare Solutions

* These companies were established in the PRC in the form of wholly-Foreign-owned enterprises.

\# These companies were established in the PRC in the form of Sino-foreign equity joint ventures.

^ These companies were established in the PRC in the form of domestic enterprises.

~ 51% directly or indirectly controlled by Jiangyin Tiangjiang which is a 87.3% owned subsidiary of the Group.

@ In 2024, Huayi Pharmaceutical Co., Ltd. was absorbed and merged by Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly- owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held non-controlling interests	Profit allocated to non-controlling interests	Accumulated non-controlling interests
		2024	2024 RMB'000	2024 RMB'000
Jiangyin Tianjiang Group (note)	The PRC	**12.70%**	**(54,297)**	**1,128,065**
Jiangyin Yifang Group (note)	The PRC	**12.70%**	**8,325**	**1,375,106**
Individually immaterial subsidiaries with non-controlling interests			**12,676**	**226,079**
Total			**(33,296)**	**2,729,250**

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held non-controlling interests	Profit allocated to non-controlling interests	Accumulated non-controlling interests
		2023	2023 RMB'000	2023 RMB'000
Jiangyin Tianjiang Group (note)	The PRC	12.70%	31,007	1,194,248
Jiangyin Yifang Group (note)	The PRC	12.70%	77,355	1,389,348
Individually immaterial subsidiaries with non-controlling interests			2,508	192,887
Total			110,870	2,776,483

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests (continued)

Note: The amounts have been adjusted for inter group elimination which primarily represent the goodwill and other intangible assets arising from the acquisition of the Jiangying Tianjiang Group.

Summarised consolidated financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below.

The following table lists out the information relating to Jiangyin Tianjiang Group and Jiangyin Yifang Group, the only sub-group of the Group which has material non-controlling interest as at 31 December 2024.

2024

	Jiangyin Tianjiang Group RMB'000	Jiangyin Yifang Group RMB'000
Current assets	**5,466,659**	**8,420,566**
Non-current assets	**4,552,780**	**5,350,617**
Current liabilities	**(3,234,476)**	**(3,483,654)**
Non-current liabilities	**(765,043)**	**(1,295,599)**
Net equity (Note)	**6,019,920**	**8,991,930**
Equity attributable to owners of Jiangyin Tianjiang Group/Jiangyin Yifang Group	**5,603,499**	**8,724,884**
Non-controlling interests of Jiangyin Tianjiang Group/Jiangyin Yifang Group	**416,421**	**267,046**

Note: The net equity of Jiangyin Tianjiang Group and Jiangyin Yifang Group includes fair value adjustments on properties, intangible assets and related deferred taxation arising from a business combination amounting to RMB1,418,371,000 and RMB1,876,339,000 respectively.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests (continued)

2024 (continued)

	Jiangyin Tianjiang Group RMB'000	Jiangyin Yifang Group RMB'000
Revenue	**4,150,178**	**5,835,971**
Expenses	**(4,339,945)**	**(5,581,718)**
Profit and total comprehensive income for the year (Note)	**(189,767)**	**254,253**
Total comprehensive income attributable to owners of Jiangyin Tianjiang Group/Jiangyin Yifang Group	**(155,177)**	**281,704**
Total comprehensive expense attributable to the non-controlling interests of Jiangyin Tianjiang Group/Jiangyin Yifang Group	**(34,590)**	**(27,451)**
Total comprehensive income for the year	**(189,767)**	**254,253**
Dividends declared to non-controlling interests	**14**	**–**
Net cash inflow from operating activities	**837,991**	**1,769,114**
Net cash outflow from investing activities	**(235,250)**	**(989,678)**
Net cash (outflow)/inflow from financing activities	**(672,411)**	**(1,097,911)**
Net cash outflow	**(69,670)**	**(318,475)**

Note: The profit for the year of Jiangyin Tianjiang Group and Jiangyin Yifang Group includes adjustments for depreciation of properties and amortisation of intangible assets recognised upon the business combination amounting to RMB108,580,000 and RMB155,528,000 respectively.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests (continued)

2023

	Jiangyin Tianjiang Group RMB'000	Jiangyin Yifang Group RMB'000
Current assets	6,525,135	8,860,462
Non-current assets	4,839,843	5,687,868
Current liabilities	(4,454,377)	(4,055,603)
Non-current liabilities	(583,816)	(1,561,869)
Net equity (Note)	6,326,785	8,930,858
Equity attributable to owners of Jiangyin Tianjiang Group/Jiangyin Yifang Group	5,879,195	8,638,614
Non-controlling interests of Jiangyin Tianjiang Group/Jiangyin Yifang Group	447,590	292,244

Note: The net equity of Jiangyin Tianjiang Group and Jiangyin Yifang Group includes fair value adjustments on properties, intangible assets and related deferred taxation arising from a business combination amounting to RMB1,644,035,000 and RMB2,225,049,000, respectively.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests (continued)

2023 (continued)

	Jiangyin Tianjiang Group RMB'000	Jiangyin Yifang Group RMB'000
Revenue	5,466,684	7,182,021
Expenses	(5,185,343)	(6,381,968)
Profit and total comprehensive income for the year (Note)	281,341	800,053
Total comprehensive income attributable to owners of Jiangyin Tianjiang Group/Jiangyin Yifang Group	286,751	827,833
Total comprehensive expense attributable to the non-controlling interests of Jiangyin Tianjiang Group/Jiangyin Yifang Group	(5,410)	(27,780)
Total comprehensive income for the year	281,341	800,053
Dividends declared to non-controlling interests	24,118	33,397
Net cash inflow from operating activities	105,062	1,087,183
Net cash outflow from investing activities	(269,252)	(205,099)
Net cash inflow/(outflow) from financing activities	114,999	(802,266)
Net cash outflow	(49,191)	79,818

Note: The profit for the year of Jiangyin Tianjiang Group and Jiangyin Yifang Group includes adjustments for depreciation of properties and amortisation of intangible assets recognised upon the business combination amounting to RMB21,398,000 and RMB44,435,000, respectively.

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024	2023
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,584,986**	13,584,986
Total non-current assets	**13,584,986**	13,584,986
CURRENT ASSETS		
Other receivables	**123**	120
Amounts due from subsidiaries (note a)	**1,730,505**	2,532,887
Bank balances and cash	**7,011**	12,845
Total current assets	**1,737,639**	2,545,852
CURRENT LIABILITIES		
Trade and other payables	**6,557**	6,516
Amounts due to subsidiaries (note b)	**298,412**	298,005
Unsecured notes	**22,388**	830,540
Total current liabilities	**327,357**	1,135,061
NET CURRENT ASSETS	**1,410,282**	1,410,791
TOTAL ASSETS LESS CURRENT LIABILITIES	**14,995,268**	14,995,777
NON-CURRENT LIABILITIES		
Unsecured notes	**1,198,299**	1,197,112
Deferred tax liabilities	**6,969**	18,077
Total non-current liabilities	**1,205,268**	1,215,189
NET ASSETS	**13,790,000**	13,780,588
CAPITAL AND RESERVES		
Share capital	**11,982,474**	11,982,474
Reserves (note c)	**1,807,526**	1,798,114
TOTAL EQUITY	**13,790,000**	13,780,588

Approved and authorised for issue by the board of directors on 25 March 2025 and are signed on its behalf by:

YANG Jun
EXECUTIVE DIRECTOR

LI Hongjian
EXECUTIVE DIRECTOR

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note a: Amounts due to subsidiaries represent short-term operating receivables which are unsecured, interest bearing from 2.40% to 3.20% per annum (2023: 3.25% to 4.35%) and repayable in the following year and dividends receivable which are unsecured and repayable on demand.

Note b: The amounts are unsecured, interest-free and repayable on demand.

Note c: Movements in the Company's reserves.

	Translation reserve RMB'000	**Accumulated profits** RMB'000	**Total** RMB'000
At 1 January 2023	813,199	885,451	1,698,650
Profit and total comprehensive income for the year	–	335,459	335,459
Final 2022 dividend declared	–	(235,995)	(235,995)
At 31 December 2023	813,199	984,915	1,798,114
Profit and total comprehensive income for the year	–	9,412	9,412
Final 2023 dividend declared	–	–	–
At 31 December 2024	813,199	994,327	1,807,526

All of the Company's retained profits is available for distribution to equity shareholders.

44. MAJOR NON-CASH TRANSACTIONS

During the current year, bills received by the Group from its customers with an aggregate amount of RMB119,987,000 (2023: RMB236,126,000) were endorsed for the settlement of payables for acquisition of property, plant and equipment.

During the current year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB55,787,000 (2023: RMB23,625,000) and RMB55,787,000 (2023: RMB23,625,000), respectively, in respect of lease arrangements for land and buildings, machinery and equipment.

45. CONTINGENT LIABILITIES

During the year, the Group endorsed certain bills receivable for the settlement of trade and other payables. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivable, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were not recognized on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of the reporting period are as follows:

	2024 **RMB'000**	2023 RMB'000
Outstanding endorsed and discounted bills receivable with recourse	**148,768**	195,229

The outstanding endorsed and discounted bills receivable are aged within 180 days at the end of the reporting period. The directors of the Company consider that the carrying amounts of the endorsed and discounted bills receivable approximate their fair values.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2025.